

# FHA Single Family Housing Policy Handbook

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## I. DOING BUSINESS WITH FHA

### B. OTHER PARTICIPANTS

#### 2. Real Estate Brokers

##### a. Definition

A HUD-Registered Real Estate Broker is a real estate listing or selling broker approved by HUD to list or sell HUD Real Estate Owned (REO) Properties.

A listing broker is a HUD-Registered Real Estate Broker who lists HUD-owned properties for sale.

A selling broker is HUD-Registered Real Estate Broker who submits bids on behalf of prospective buyers.

##### b. General Requirements

###### i. Program Overview

HUD must approve any real estate broker wishing to list Properties or represent buyers in sales transactions of [HUD REO Properties](#).

###### ii. Use of Name and Address Identification Numbers

Each real estate broker must have an active Name and Address Identification Number (NAID) issued by HUD; all agents conducting business in that real estate broker's office may use that broker's active NAID. For brokerages with several offices, each with a different real estate broker, each office may apply for a separate NAID.

##### c. Application and Registration Process

###### i. Real Estate Broker's Application

Real estate brokers must submit the following to the [Jurisdictional Homeownership Center \(HOC\)](#) for the area in which the broker's office is located:

- form [SAMS-1111](#), *Payee Name and Address*;
- form [SAMS-1111-A](#), *Selling Broker Certification*;
- IRS Letter 147C or other official Internal Revenue Service (IRS) document reflecting their business name and Employer Identification Number (EIN) or, if operating under a Social Security Number (SSN), a copy of their Social Security card;
- a copy of their active real estate broker's license with an expiration date;
- a copy of their current driver's license with an expiration date; and
- a recent utility bill or bank statement that lists the address and company or broker name shown on form SAMS-1111.

**ii. HUD Registration**

HUD will issue an NAID to HUD-Registered Real Estate Brokers via [HUD Home Store](#).

**d. Annual Recertification**

HUD-Registered Real Estate Brokers must recertify annually by completing the same [application process](#). HUD-Registered Real Estate Brokers must submit their recertification application before their current registration expires.

Failure to timely submit annual recertification may result in deactivation of the NAID by HUD.

## 10. Closing Agents

### a. General Requirements

Closing Agents must meet all of the following requirements in order to conduct a closing on an REO sales transaction.

#### i. Licensure or Ability to Do Business in State where Property is Located

The Closing Agent must be an attorney, title company, or escrow company that meets all state and local requirements for eligibility to conduct closings as follows:

- An attorney or law firm may act as Closing Agent if they are duly licensed to practice law in the state where the Property is located and state law allows an attorney to facilitate closings.
- A title company may act as Closing Agent if they are duly licensed to do business in the state where the Property is located and are regulated by the state insurance commission, or similar regulatory agency recognized by the state.
- An escrow company may act as Closing Agent if they are duly licensed to do business in the state where the Property is located and meet all state legal and regulatory requirements as a recognized and registered escrow company.

#### ii. Errors and Omissions Insurance

The Closing Agent is covered by errors and omissions insurance of at least \$1,000,000.

#### iii. Debarment or Suspension

A Closing Agent must not participate in any aspect of the closing or title clearance process if they are currently debarred, suspended, or otherwise excluded by administrative action from participating in federal programs.

### b. Application and Approval Process

#### i. Title Identification Number

##### (A) Definition

A Title Identification (ID) Number is a number identifying a Closing Agent registered to perform closings on REO sales transaction.

##### (B) Standard

The Closing Agent must complete a one-time registration to receive a HUD-issued Title ID Number. The Closing Agent must provide to the Asset Management (AM):

- a copy of the Closing Agent's state license; and
- a Closing Protection Letter (CPL) evidencing errors and omissions insurance coverage.

**I. Doing Business with FHA**

**B. Other Participants**

**10. Closing Agents**

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1 HUD will review the Closing Agent's documentation and, if HUD approves, will  
2 issue a Title ID Number. The AM will notify the Closing Agent of the issuance of the  
3 Title ID Number.

4 **ii. P260 Access**

5 Once the Closing Agent has received a HUD-issued Title ID Number, the Closing Agent  
6 must contact the AM to request access to P260.

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## IV. CLAIMS AND DISPOSITION

### A. CLAIMS

#### RESERVED FOR FUTURE USE

This section is reserved for future use, and until such time, FHA-approved Mortgagees must continue to comply with all applicable law and existing Handbooks, Mortgagee Letters, Notices and outstanding guidance applicable to Claims in FHA programs.

### B. DISPOSITION

This section provides the standards and procedures applicable to the disposition of Real Estate Owned (REO) Single Family Properties acquired by HUD as a result of foreclosure of FHA-insured Mortgages or special acquisitions. All parties participating in HUD disposition programs must fully comply with all of the following standards and procedures. Terms and acronyms used in this *FHA Single Family Housing Policy Handbook (SF Handbook)* have the meanings defined in the Glossary and Acronyms sections or in the specific section of the *SF Handbook* in which the definitions are located.

#### 1. Management and Marketing Program

HUD's Management and Marketing (M&M) program is HUD's contracting network used to manage and market Single Family Properties owned by or in the custody of HUD.

##### a. HUD Contractors

##### i. Mortgagee Compliance Manager

Mortgagee Compliance Managers (MCM) are HUD's M&M contractors responsible for ensuring compliance with HUD's conveyance standards as related to title, occupancy, and property condition.

##### ii. Field Service Manager

Field Service Managers (FSM) are HUD's M&M contractors responsible for providing property maintenance and preservation services for Properties owned by or in the custody of HUD.

##### iii. Asset Manager

Asset Managers (AM) are HUD's M&M contractors responsible for the marketing and sale of Properties owned by or in the custody of HUD.

#### IV. Claims and Disposition

##### B. Disposition

##### 1. Management and Marketing Program

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###### b. Nondiscrimination Policy

All parties engaged in contracting, occupancy, rental, and sales activities relating to HUD-owned Properties must conduct these activities without regard to race, color, creed, religion, sex, national origin, age, familial status, handicap, marital status, actual or perceived sexual orientation, or gender identity.

###### c. P260 Portal

###### i. Definition

[P260](#) is HUD's web-based portal for submitting requests and documentation relating to Property Preservation and Protection (P&P), conveyance, and disposition activities.

###### ii. Standard

HUD-approved Mortgagees and M&M contractors must use P260 to report and upload documentation for activities related to the Property.

HUD expects FHA Roster Appraisers, HUD-approved real estate brokers, and Closing Agents to use P260 to fulfill their documentation submission requirements.



**2. REO Property Disposition**

**a. Property and Sales Condition**

**i. As-Is Condition**

**(A) Definition**

As-Is Condition refers to the condition of a Property without repairs, representations, or warranties.

**(B) Standard**

HUD markets Properties under the following categories, based on the as-is condition of the Property at the time of listing as determined by the Appraiser:

- insurable;
- insurable with repair escrow; or
- uninsurable.

**ii. Vacant Lots**

**(A) Definition**

A Vacant Lot is a Property without improvements or Structures.

**(B) Standard**

HUD may raze Structures or offer the vacant lot for sale where Properties are so damaged that repair by HUD or the buyer is not feasible and where one of the following conditions exist:

- the Property has already been unsuccessfully offered for sale in its as-is condition;
- a local ordinance or agreement prohibits as-is sales of such Properties; or
- the Structure must immediately be razed by HUD to remove a serious public hazard.

Where there is no immediate need to raze the Property or where it would be otherwise inappropriate to sell the Property as-is, HUD may sell the Property with the requirement that the buyer raze the Structure after sales closing.

**iii. Held Off Market**

**(A) Definition**

Held Off Market is the status of a HUD REO Property that is unavailable for sale.

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**2. REO Property Disposition**

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**(B) Standard**

HUD may designate a Property as held off market when a property, title, occupancy, or other condition delays or prohibits HUD's ability to market or sell the Property.

Should the adverse condition be resolved, HUD may then list the Property for sale.

**b. List Price**

**i. Definition**

List Price is the "asking price" of a Property based on Market Value.

**ii. Standard**

HUD will offer a Property for sale at the list price based on Market Value, reflecting the highest and best use in the current market, competitive with Properties being offered by other sellers.

The AM will monitor assigned transactions to ensure that Properties are valued and sold in a manner in accordance with HUD's Market Value policies.

For vacant lots, HUD will offer the lots at the estimated Market Value of the lot based on comparable vacant lot prices, considering highest and best use.

**c. Marketing Tools**

**i. Standard**

In marketing HUD REO Properties, listing brokers are expected to use those contemporary industry marketing tools used in marketing non-REO Properties in that area, which may include, but are not limited to:

- utilizing yard signage and [online advertising](#);
- encouraging pre-qualification or pre-approval of potential buyers;
- holding open houses or holding webinars, seminars, or workshops on HUD property sales; and
- requesting limited repair of Properties, with approval by HUD.

Listing brokers must ensure that all written advertising includes the Equal Housing Opportunity logo, statement, or slogan.

HUD, at its discretion, may offer bonuses or other sales incentives to real estate brokers.

**ii. HUD Home Store**

**(A) Definition**

[HUD Home Store](#) is the listing site for HUD REO Single Family Properties.

1                   **(B) Standard**

2                   HUD will post its inventory of HUD REO Properties for sale on [HUD Home Store](#).

3                   **iii. Local Real Estate Agent Associations and Listing Sites**

4                   HUD expects listing brokers to work with their local National Association of Realtors  
5                   (NAR) boards and similar organizations and use a local Multiple Listing Service (MLS)  
6                   and other industry standard listing sites to market HUD REO Properties.

7                   **iv. Online Marketing Tools**

8                   Listing brokers are expected to use such contemporary online marketing tools as the  
9                   following:

- 10                   • full application of Internet tools to present houses in multimedia formats with
- 11                   MLS, with extensive photographs, video, and documentation;
- 12                   • search engine optimization;
- 13                   • Quick Response (QR) codes or other technology to assist buyers in accessing
- 14                   property information; and
- 15                   • marketing blogs or other tailored social media.

16                   **v. Hard-to-Sell Properties**

17                   **(A) Definition**

18                   A Hard-to-Sell Property is a HUD REO Property located in a specific market area  
19                   characterized by such sales conditions as large numbers of non-HUD vacant  
20                   Properties, declining neighborhoods, or severely depressed local economy.

21                   **(B) Standard**

22                   The AM is responsible for designating hard-to-sell Properties under HUD guidance.

23                   HUD offers a [minimum sales commission](#) for Properties designated as hard-to-sell on  
24                   HUD Home Store and, at its discretion, may offer bonuses or other sales incentives to  
25                   real estate brokers.

26                   HUD will prescribe the time frame and conditions under which bonuses or other sales  
27                   incentives will be offered.

28                   **vi. Revitalization Areas**

29                   **(A) Definition**

30                   Revitalization Areas are designated geographic areas in which HUD identifies  
31                   Properties eligible for disposition through discount sales programs.

**IV. Claims and Disposition**  
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**(B) Standard**

HUD will designate [Revitalization Areas](#) based on the following criteria:

- very low income areas;
- high concentration of HUD REO Properties; and
- low homeownership rate.

State, local, or tribal governments or HUD-approved Nonprofits may request that HUD designate a geographic area as a Revitalization Area by sending a written request to the director of the Jurisdictional Homeownership Center (HOC) for the area.

**d. Prospective Buyers**

**i. Owner-Occupant Buyers**

**(A) Definition**

An Owner-Occupant Buyer is a buyer who intends to use the Property as their Principal Residence.

**(B) Standard**

A buyer may purchase HUD REO Properties as an Owner-Occupant Buyer if:

- they certify that they will occupy the Property as their Principal Residence for at least 12 months; and
- they have not purchased a HUD-owned Property within the past 24 months as an owner occupant.

The selling broker must not knowingly submit the offer on behalf of a person or entity that is not an Owner-Occupant Buyer and must discuss the penalties for false certification with the buyer.

The buyer and selling broker must sign an Owner-Occupant Buyer Addendum certifying to the above conditions.

Buyers using FHA-insured financing must begin their owner-occupancy terms as stated in FHA Requirement for Owner Occupancy. Buyers purchasing under the Good Neighbor Next Door (GNND) Sales Program must begin their owner-occupancy terms as stated in Owner-Occupancy Term.

**(C) Required Documentation**

The Owner-Occupant Buyer and selling broker must complete and submit with their offer an Owner-Occupant Buyer Addendum.

**ii. Investor Buyers**

An Investor Buyer is a buyer who will not occupy the HUD REO Property as their Principal Residence.

**iii. Good Neighbor Next Door Participants**

**(A) Definition**

Good Neighbor Next Door (GNND) Participants are law enforcement officers, teachers, firefighters, or emergency medical technicians who are eligible to purchase HUD REO Properties under the GNND Sales Program.

**(B) Standard**

GNND participants may purchase designated single-unit HUD REO Properties in Revitalization Areas at a discount of 50 percent off the list price.

The GNND participant must bid the full list price; the AM will reflect any applicable discounts in the sales price.

**(C) Eligible Participants**

Buyers must meet all of the following requirements in order to purchase through the GNND Sales Program.

**(1) Full-Time Employment as a Law Enforcement Officer, Teacher, or Firefighter/EMT**

At the time the bid is submitted and at the time of closing, the buyer must be employed full-time as one of the following:

- a law enforcement officer who is:
  - employed by a law enforcement agency of the federal government, a state, a unit of general local government, or an Indian tribal government; and
  - is sworn to uphold, and make arrests for violations of, federal, state, tribal, county, township, or municipal laws;
- a teacher employed by a state-accredited public school or private school that:
  - provides direct services to students in grades pre-kindergarten through 12; and
  - serves students from the area where the house is located in the normal course of business; or
- a firefighter/Emergency Medical Technician (EMT) employed by a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government serving the area where the house is located.

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The buyer must certify to their good faith intention to continue employment as a law enforcement officer, teacher or firefighter/EMT for at least one year after the date of closing.

**(2) Purchasing as Owner-Occupant Borrower**

The buyer must agree to own, and live in as their sole residence, the purchased Property for the owner-occupancy term of 36 months and certify that occupancy annually.

**(3) Execution of Second Mortgage and Note**

The buyer must agree to execute a second Mortgage and Note on the house for the difference between the list price and the discounted selling price.

**(4) Restrictions Related to Previous GNND Sales Program Purchases**

The buyer nor their spouse must not:

- have owned any residential Real Property during the year before they submitted a bid on the Property to be purchased through the GNND Sales Program; and
- have purchased another house under the GNND Sales Program.

**(D) Eligible Properties**

GNND participants may purchase designated single-unit HUD REO Properties under the GNND Sales Program that are located in:

- in a HUD-designated Revitalization Area; and
- in the community the GNND participant works in.

**iv. Governmental Entities and HUD-Approved Nonprofits**

**(A) Governmental Entity**

A Governmental Entity refers to any federal, state, or local government agency or instrumentality. To be considered an Instrumentality of Government, the Entity must be established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion). HUD deems Section 115 Entities to be Instrumentalities of Government for the purpose of providing secondary financing.

**(B) HUD-Approved Nonprofit Organizations**

HUD-approved Nonprofit organizations [approved to participate](#) in FHA nonprofit programs are eligible to purchase HUD REO Properties.

**(C) Purchasing as Owner-Occupant Buyers**

**(1) Standard**

Governmental Entities and HUD-approved Nonprofits are included in the definition of owner-occupant buyers and may purchase Properties during the same periods in which owner-occupant buyers may purchase.

**(a) Purchases during Direct Sale Periods**

When purchasing HUD-owned properties at a 10 percent or greater discount as part of a direct sale, Governmental Entities and HUD-approved Nonprofits must complete and submit with their offer a Land Use Restriction Addendum (LURA).

**(b) Purchases during Competitive Sales Periods**

**Exclusive Listing Period**

Governmental Entities and HUD-approved Nonprofits may purchase Properties during the Exclusive Listing Period so long as they:

- certify that they will own the Property for at least 12 months;
- have not purchased a HUD-owned Property during the Exclusive Listing Period within the past 24 months; and
- complete and submit an Exclusive Listing Period Purchase Addendum for Governmental Entities and HUD-Approved nonprofits with their offer.

**Extended Listing Period**

Governmental Entities and HUD-approved Nonprofits may purchase Properties during the Extended Listing Period and are not required to complete an Owner Occupancy Addendum or Exclusive Listing Period Purchase Addendum for purchases made without discount.

**(2) Documentation**

Where applicable, the Governmental Entity or HUD-approved Nonprofit must complete and submit with their offer a LURA or Exclusive Listing Period Purchase Addendum for Governmental Entities and HUD-Approved Nonprofits.

**(D) Use of Selling Brokers**

HUD will not pay selling broker commission for Properties purchased by Governmental Entities and HUD-approved Nonprofits.

Where guidance in this section directs the selling broker to perform a specific action, a designated agent of the Governmental Entity or HUD-approved Nonprofit may perform this action.

**(E) Discounts on Direct Sales**

For direct sales, Governmental Entities and HUD-approved Nonprofits may purchase HUD REO Properties at the following discounts on the list price:

- 30 percent off the list price for uninsured Properties located within a Revitalization Area;
- 10 percent off the list price for insured or uninsured Properties located outside of a Revitalization Area;
- 10 percent off the list price for insured Properties located within a Revitalization Area; and
- 15 percent off the list price for insured or uninsured Properties located outside of a Revitalization Area and insured Properties located in a Revitalization Area when:
  - the AM has accepted five or more bids from the government or a HUD-approved Nonprofit entity within a 15 business day period; and
  - the sales are closed in a single transaction.

**(F) Restrictions on Resale**

Governmental Entities and HUD-approved Nonprofits must comply with the restrictions on resale as stated in an executed LURA or Exclusive Listing Period Purchase Addendum.

To request exceptions to the restrictions on resale, the Governmental Entity or HUD-approved Nonprofit may submit a request in writing to the Jurisdictional HOC for the area in which the Property is located.

**v. HUD Employees**

**(A) Standard**

HUD employees and members of HUD employees' households are eligible to purchase the HUD REO Properties as Owner-Occupant Buyers if:

- they do not currently own a house and can demonstrate and certify that they will occupy the Property as their Principal Residence for at least two years;
- they have not purchased a HUD-owned Property within the past 24 months as an owner occupant; and
- they are not [prohibited buyers](#).

Eligible HUD employees and members of their households must obtain supervisor and Office of Single Family Asset Management (OSFAM) approval before bidding on a HUD-owned Single Family house.



**(1) Form HUD-50001**

The HUD employee must complete form [HUD-50001](#), *HUD Employee/Relative Home Purchase Certification*, by:

- describing their job and/or relationship to the proposed buyer;
- certifying that they have no involvement with the management and oversight of the M&M contractors' activities; and
- obtaining their immediate supervisor's signature.

**(2) Approval by the Office of Single Family Asset Management**

The HUD employee must email the signed form HUD-50001 to the Director of OSFAM for approval. OSFAM will notify the employee if they are approved to purchase HUD REO Properties.

**(3) Period of Eligibility to Bid**

The approved HUD employee or member of the HUD employee's household is eligible to bid on HUD REO Properties for up to 12 months from the date of the approval.

**(4) Recertification**

The approved HUD employee or member of the HUD employee's household must re-certify by completing form HUD-50001 and obtaining the required approvals in the event of any job change.

**(B) Required Documentation**

The HUD employee must complete and submit with their offer an Owner-Occupant Addendum. The HUD employee must include on the Owner-Occupant Addendum their Social Security Number (SSN) and date of birth.

**vi. Prohibited Buyers**

The following are prohibited from purchasing HUD REO Properties.

**(A) HUD REO Staff**

The following HUD employees and their household members are prohibited from purchasing HUD REO Properties:

- all HUD management personnel who are part of the management chain that has authority over the single family REO disposition process;
- all headquarters OSFAM employees;
- all HUD employees that have direct or indirect responsibilities for policy development, procurement, and disposition of Single Family REO Properties; and

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- all HOCs, field and regional offices' employees that have direct or indirect oversight responsibilities of M&M contractors.

**(B) Participants in HUD REO Marketing and Management**

Certain participants in HUD M&M activities and their immediate Family Members may be prohibited by contract from purchasing HUD REO Properties. HUD M&M contractor staff should contact the Government Technical Representative (GTR) for information on eligibility to purchase HUD REO Properties.

**(C) Members of Congress**

Members or delegates of the United States Congress are prohibited from purchasing or benefiting from a purchase of a HUD REO Property.

**(D) Former Borrowers who Defaulted on FHA-Insured Mortgages**

Former Non-Occupant Borrowers of FHA-insured Mortgages, whose Default resulted in HUD's payment of a mortgage insurance benefits claim to a Mortgagee, are prohibited from repurchasing the same Property that secured the FHA-insured Mortgage.

**e. Lead-Based Paint**

**i. Availability of Inspection Information**

For all HUD REO Properties built before 1978, buyers will have access to available lead-based paint information in the Property Condition Report (PCR), including all available copies of:

- HUD's lead-based paint inspection reports;
- risk assessment reports; and
- other records pertaining to lead-based paint and/or lead-based paint hazards.

The buyer may request paper copies of this information from the local AM.

**ii. Providing Lead Based Paint Information**

The selling broker is responsible for ensuring that the following are provided to the buyer for review:

- the Lead-Based Paint Disclosure Addendum;
- all available lead-based paint records and reports; and
- the U.S. Environmental Protection Agency (EPA)-approved pamphlet entitled "Protect Your Family from Lead in Your Home."

**iii. Other Lead-Based Paint Information Obtained After Receipt of a Sale Offer**

If HUD obtains additional lead-based paint records, reports and/or information after receiving a sale offer, HUD will deliver to the selling broker:

- the additional lead-based paint records, reports and/or information on the subject Property that became available and was not posted on HUD's website for retrieval prior to bid submission; and
- a supplemental Lead-Based Paint Disclosure Addendum (Supplemental Addendum), acknowledging receipt of any additional lead-based paint-related documents.

**f. Sales Timeline**

**i. Tenant Right of First Refusal**

**(A) Definition**

The Tenant Right of First Refusal is a tenant's ability to purchase a HUD REO Property on a non-competitive basis before it is listed for sale.

**(B) Standard**

HUD's AM will contact eligible tenants regarding their opportunity to purchase occupied Properties at list price under the tenant right of first refusal.

**ii. Asset Control Area Program**

**(A) Definition**

The Asset Control Area (ACA) Program is a direct sale program in which eligible local, county, or state governments or HUD-approved Nonprofit organizations may enter into a contract with HUD to purchase vacant HUD REO Properties in designated areas.

**(B) Standard**

HUD will sell to Entities participating in the ACA Program all or a specified number of vacant HUD REO Properties acquired in designated areas as specified in the ACA agreement.

**iii. National First Look Program**

**(A) Definition**

The National First Look Program is a direct sale program in which participating [Neighborhood Stabilization Program](#) (NSP) grantees have the exclusive opportunity to purchase HUD REO Properties located in NSP areas.

**(B) Standard**

HUD will make available to participating NSP grantees information on HUD REO Properties for sale within NSP-designated areas. Eligible NSP buyers may purchase these HUD REO Properties at a discount of 10 percent for insurable Properties or 15 percent for uninsurable Properties off the list price, less the cost of any applicable listing and sales commission.

**(1) Eligible Neighborhood Stabilization Program Grantees**

The following NSP grantees are eligible to purchase HUD REO Properties at a discount:

- direct recipients of NSP funds; or
- sub-recipients (or sub-awardees) of direct NSP grantees; and
- consortium members under NSP2.

**(2) First Look Purchase Period**

The NSP grantee must submit an offer for a HUD REO Property within two business days after the date of the property appraisal.

Each First Look Property will remain available for purchase under the First Look Sales Method until an eligible NSP grantee buyer submits an offer to purchase the Property, or through the expiration of the two-day purchase period, whichever comes first.

**(3) Confirmation of Location of Property**

The NSP grantee buyer is responsible for confirming that the Property is within the boundaries of the NSP designated area. Where the boundaries of any two or more NSP areas overlap and where multiple eligible NSP grantee buyers submit offers to purchase a HUD REO Property in that overlapping area, the right to purchase the Property is granted to the eligible NSP grantee buyer that first submits an offer to purchase that Property.

**(4) Use of Neighborhood Stabilization Program Funds**

The NSP grantee buyer must use NSP funds, at least in part, in order to purchase a HUD REO Property under the NSP grantee buyer time frame and discount.

**iv. Lottery Period**

**(A) Definition**

The Lottery Period is a direct sale period in which Governmental Entities, HUD-approved Nonprofits, and GNND participants may submit bids for designated HUD REO Properties.

**(B) Standard**

Governmental Entities, HUD-approved Nonprofits, and GNND participants may submit bids equal to the list price during the seven day lottery period.

At the end of the lottery period, HUD will select a winning bidder at random. The AM will reflect applicable discounts in the sales contract.

**(1) Good Neighbor Next Door**

During the lottery period, GNND participants may submit bids for [designated HUD REO Properties](#).

When separate bids are submitted by spouses who are both GNND participants, HUD may approve a bid from only one spouse.

**(2) Lottery for Governmental Entities and HUD-Approved Nonprofits**

During the lottery period, Governmental Entities and HUD-approved Nonprofits may submit bids at list price for uninsured Properties located within their approved purchase areas.

**v. Exclusive Listing Period**

**(A) Definition**

The Exclusive Listing Period is a competitive listing period in which only eligible Governmental Entities, HUD-approved Nonprofits, and owner occupants may submit bids on HUD REO Properties.

**(B) Standard**

Governmental Entities, HUD-approved Nonprofits, and owner-occupant buyers may submit bids during the exclusive listing period. HUD will choose the winning bid producing the greatest net return to HUD and meeting HUD's terms of offering of the Property.

**(1) Length of Exclusive Listing Period**

For Properties marketed as “insured” or “insured with escrow,” the exclusive listing period is 15 Days.

For Properties marketed as “uninsured,” the exclusive listing period is five Days.

**(2) Review of Bids during Exclusive Listing Period**

**(a) Bid Opening for “Insured” and “Insured with Escrow” REO Properties**

**(i) Bids Received from Days 1 through 10**

For Properties marketed as “insured” or “insured with escrow,” the AM will open all bids received from the 1<sup>st</sup> through the 10<sup>th</sup> Day of the exclusive listing period on the next business day after the 10<sup>th</sup> Day of the exclusive listing period. The AM opening the bids will treat all bids as having been received simultaneously.

**(ii) Bids Received from Days 11 through 15**

If none of the bids received by the 10<sup>th</sup> Day are accepted, the AM will open and review bids received during the 11<sup>th</sup> Day up to the 15<sup>th</sup> Day daily on the next business day. If a bid is not accepted during the 15-Day exclusive listing period, the AM will extend the listing to all buyers by listing the Property in the extended listing period.

**(b) Bid Opening for “Uninsured” REO Properties**

For Properties that are marketed as “uninsured,” AMs will open and review all bids received from the 1<sup>st</sup> through the 5<sup>th</sup> Day on the next business day after the 5<sup>th</sup> Day of the exclusive listing period. The AM will treat all bids as having been received simultaneously.

If a bid is not accepted in the 5-Day exclusive listing period for Properties listed as “uninsured,” the AM will extend the listing to all buyers by listing the Property in the extended listing period.

**(c) Bid Opening on Weekends and Federal Holidays**

HUD considers bids received on Fridays, Saturdays, and Sundays in the same bid period as being received simultaneously during that period. The AM will open those bids on:

- the following Monday; or
- the next business day, if Monday is a federal holiday.

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HUD considers bids received on a federal holiday in the same bid period as being received on the previous Day. The AM will open those bids on the next business day.

**vi. Extended Listing Period**

**(A) Definition**

The extended listing period is a competitive listing period during which all buyers may submit bids on HUD REO Properties.

**(B) Standard**

If a Property remains unsold for 15 Days, HUD will extend the listing to all buyers by listing the Property in the extended listing period.

All buyers, including Investors, may submit bids on HUD REO Properties during the extended listing period.

**(C) Review of Bids during Extended Listing Period**

The AM will open bids at the end of each business day, subject to the policies in [Bid Opening on Weekends and Federal Holidays](#).

**vii. Bulk Sales**

**(A) Definition**

A Bulk Sale is a direct sale of five or more REO Properties to eligible buyers.

**(B) Standard**

HUD may seek to dispose of Properties through bulk sales. HUD will advertise and sell these Properties on an all-cash, as-is basis, without warranty and without FHA-insured mortgage financing.

**Bulk Sale to Eligible Governmental Entities and HUD-Approved Nonprofits**

If a Property remains unsold for 60 Days, HUD may elect to sell the Property to eligible Governmental Entities and HUD-approved Nonprofits as part of a bulk sale as follows:

- Properties with an appraised value greater than \$100,000 will be priced at a 10 percent discount from the appraised value;
- Properties with an appraised value less than or equal to \$100,000 will be priced at a 50 percent discount;
- Properties with an appraised value less than \$20,000, and considered “demolition properties” will be priced at \$100;

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- participants purchasing 50 or more Properties will receive an additional 5 percent discount; and
- under certain conditions, local governments may purchase Properties that have been listed for 180 Days or more for \$1, plus closing costs.

**viii. Dollar Homes – Government Sales**

**(A) Definition**

The Dollar Homes – Government Sales Program is a direct sales program through which eligible Governmental Entities may purchase certain HUD REO Properties for \$1 each, plus closing costs.

**(B) Standard**

If a Property remains unsold after 180 Days, HUD will remove the Property from the market and offer it exclusively to local governments for 10 Days before returning it to the Extended Listing Period, if no \$1 bids are accepted.

Local governments may purchase for \$1 each, plus closing costs, certain Properties meeting the following criteria:

- the Property is not under a contract for sale;
- the Property has been offered to the public and marketed for sale for at least 180 Days;
- the Property is within the jurisdiction of the local government;
- the Property is uninsured; and
- the current as-is Market Value of the Property is \$25,000 or less.

**(C) Commissions and Costs**

**(1) Commissions**

Listing brokers will not receive a commission for a Property sold under the Dollar Homes – Government Sales Program.

HUD will not pay a Selling Agent commission for Properties sold under the Dollar Homes – Government Sales Program; buyers may submit a bid directly without the service of a selling broker.

**(2) Local Government Liens**

In those instances where a local government has placed liens against the Properties and fines have been assessed, the local government must remove these liens at no cost to HUD in an effort to facilitate the sale.



**(D) Dollar Homes Closing Costs**

Buyers will be required to pay closing costs involved with each Dollar Homes - Government Sales Program property sale transaction.

**(E) Partnering with HUD-Approved Nonprofits**

**(1) Standard**

Local Governmental Entities may partner with local HUD-approved Nonprofits to purchase Properties under the Dollar Homes – Government Sales Program for local housing and community development initiatives.

Governmental Entities may only purchase eligible HUD Properties within their jurisdiction and must:

- identify the intended disposition strategy or strategies and clear public purpose goals and objectives consistent with supporting local housing or community development initiatives, including rehabilitation and resale to first time homebuyers or Low- to Moderate-Income buyers, that it will pursue with Properties purchased through this program;
- affirm that all profits from resale of these dollar homes will go to support local housing or community development initiatives; and
- identify what specific local housing or community development programs or uses these profits will support.

**(2) Annual Reporting to HOC**

Governmental Entities must provide information pertaining to the purchase and subsequent resale of Properties purchased under the Dollar Homes – Government Sales Program in its annual report to HUD’s HOC Program Support Division Director.

The report must include information on:

- the ultimate owner-occupant buyer;
- the amount of profit realized on the final sale; and
- the specific local housing/community development programs or uses these profits were used to support.

**(3) Compliance with Program Requirements**

Failure of a Governmental Entity to comply with any of the Dollar Homes – Government Sales Program requirements will result in disqualification from participation in the program.

**(4) No Direct Purchase by Nonprofits**

Nonprofit organizations such as housing authorities are not permitted to directly purchase Properties under this sales program on their own behalf. HUD will accept a sales contract from HUD-approved Nonprofits only if a Governmental Entity identifies in its intended disposition strategy that the HUD-approved Nonprofit will act as its agent to purchase these Properties.

**(5) Demolition Consideration**

**(a) Request to HUD**

A local government may recommend to the AM the demolition of any Property that is currently available for purchase by that Entity meeting the Dollar Homes – Government Sales standard. HUD will consider the following criteria in its decision:

- whether HUD's last listed price, plus the cost of rehabilitating the Property to meet HUD's Minimum Property Standards (MPS) is more than 130 percent of the after-rehabilitation value;
- whether the cost of demolition exceeds the cost of rehabilitating the Property to meet MPS; and
- whether the Property is listed on the National Register of Historic Places or located in a historic district.

**(b) Cost of Demolition**

If HUD approves the Property for demolition, HUD will pay for the demolition and clearing of the debris.

**(c) Sale after Demolition**

Following demolition, HUD will list the land for sale to the general public for 10 Days at its Fair Market Value (FMV).

If no acceptable offers are received from the general public, HUD will offer the land to local governments for \$1 for 10 Days.

If the land is not purchased by local governments, HUD will relist the Property to all classes of bidders until the Property is sold.

**ix. HUD Rescission of Listing**

HUD, at its discretion, may remove a listing or cancel a sales contract and may return all or a portion of a buyer's earnest money deposit if:

- HUD has not acquired the Property;

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- HUD is unable or unwilling to remove valid objections to the title prior to closing;  
or
- HUD determines that the buyer is not an acceptable Borrower.

**g. Bid Submission**

**i. Use of HUD Home Store**

Selling brokers, HUD-approved Nonprofits, and Governmental Entities must submit bids electronically through [HUD Home Store](#).

In order to submit bids through HUD Home Store, selling brokers, HUD-approved Nonprofits, and Governmental Entities must:

- have applied for and been issued a Name and Address Identification Number (NAID); and
- be registered on HUD Home Store.

**ii. GNND Bid and Eligibility Documentation**

The GNND participant must submit with its bid:

- form [HUD 9549](#), *Good Neighbor Next Door Sales Program Personal Information Questionnaire*;
- form [HUD 9549-E](#), *Employer Verification of Participant Employment*; and
- one of the following pre-qualification questionnaires:
  - form [HUD 9549-A](#), *Good Neighbor Next Door Sales Program - Officer Pre-Qualification Questionnaire*;
  - form [HUD 9549-B](#), *Good Neighbor Next Door Sales Program - Teacher Pre-Qualification Questionnaire*; or
  - form [HUD 9549-C](#), *Good Neighbor Next Door Sales Program - Firefighter/Emergency Responder Pre-Qualification Questionnaire*.

**iii. Back-up Bids**

**(A) Definition**

A Back-up Bid is an acceptable bid for a HUD REO Property, held by HUD, should the winning bid fail to close.

**(B) Standard**

At the time of bidding, the selling broker may elect to have their bid held as a back-up bid. Should the winning bidder's sale fail to close, HUD may offer the Property to back-up bidders before relisting the Property.

HUD will allow at least one back-up bidder and, in the case of GNND, two back-up bidders.

**h. Bid Acceptance During Competitive Sales Periods**

**i. Standard**

For Properties sold in competitive sales, HUD will accept the bid that produces the greatest net return to HUD and meets all the terms and conditions pertaining to HUD's offering, with priority given to owner-occupant buyers for Properties being offered with insured Mortgages.

For Properties marketed as uninsurable, HUD will give priority to Governmental Entities and HUD-approved Nonprofits before Owner-Occupant buyers.

The net return is calculated by subtracting from the bid price the dollar amounts for financing and loan [closing costs](#), as stated on Line 5 of the Sales Contract, and real estate sales commissions to be paid by HUD.

**(A) Multiple Bids**

Selling brokers may submit an unlimited number of bids on a Property, provided that each bid is from a different buyer. If a buyer submits multiple bids on the same Property, HUD will only consider the bid producing the highest net return to HUD.

If an owner-occupant buyer submits a bid on more than one Property, HUD will accept the bid that produces the greatest net return to HUD and will eliminate all other bids from that buyer; however, if that owner-occupant buyer has submitted the only acceptable bid on another Property, HUD will accept that bid and will eliminate all other bids from that buyer.

**(B) Identical Net Offer**

Where two or more bids result in identical net offers, HUD will give preference to the owner-occupant buyer.

If the identical bids were submitted by two or more owner-occupant buyers, or by two or more investor buyers, HUD will choose the winning bid by lottery.

**ii. Counteroffers**

If all bids received are unacceptable, HUD may, at its discretion, notify bidders or their selling brokers of the opportunity to counteroffer by resubmitting bids during a specified period of time.

If HUD elects to counteroffer, HUD will accept the highest acceptable net bid received within the specified time period.

**i. Selection of Winning Bid**

**i. Notification by HUD of Winning Bid**

HUD will alert the buyer or selling broker if they are the winning bidder.

**ii. Submission of Sales Documents**

Once HUD has notified the buyer or selling broker that they are the winning bidder, the buyer or selling broker must send the following to the AM within two business days:

- a fully completed form HUD-9548, *Sales Contract*, signed by the buyer and selling broker;
- a pre-qualification letter, certification of cash funds, or other proof of funds; and
- all required addenda, if applicable, including:
  - Owner-Occupant Addendum;
  - a forfeiture of earnest money deposit addendum;
  - a Buyer Select Closing Agent Addendum;
  - closing instructions and certification;
  - form HUD-9548-B, *Discount Sales Addendum*;
  - form HUD-9545-Y, *Lead-Based Paint Disclosure Addendum To Sales Contract*;
  - form HUD-92564-CN, *For Your Protection: Get a Home Inspection*;
  - Good Neighbor Next Door addenda;
  - a flood zone property addendum; and
  - any disclosures required by state or local law.

The buyer or selling broker must also remit to the listing broker the full required [earnest money deposit](#) at the time they sign the contract.

**iii. Earnest Money Deposit**

**(A) Definition**

The Earnest Money Deposit is a buyer's deposit towards the purchase of real estate to demonstrate that they are serious about wanting to complete the purchase.

**(B) Standard**

The buyer and selling broker must sign the [earnest money forfeiture agreement](#). The selling broker must submit the earnest money deposit with the completed *Sales Contract*, for all sales other than ACA sales, to the Closing Agent within two business days of being notified that their buyer is the winning bidder.

**(C) Form of Earnest Money Deposit**

The earnest money deposit must be in the form of a cashier's check, certified check, or money order with no termination date or cancellation provision, payable to HUD or to another Entity as designated by HUD.

**Earnest Money Deposit Amounts**

The earnest money deposit amount is as follows:

- for Properties with a sales price of \$50,000 or less, the earnest money deposit is \$500;
- for Properties with a sales price greater than \$50,000, the earnest money deposit is between \$500 and \$2,000, as determined by HUD;
- for vacant lots, the earnest money deposit is 50 percent of the list price; and
- for Properties to be purchased under the GNND Sales Program, the earnest money deposit is 1 percent of the list price, but no less than \$500 and no more than \$2,000.

The buyer or selling broker may contact the AM for the earnest money deposit amount for a specific Property.

**(D) Disposition of Earnest Money Deposits when the Transaction Fails to Close**

Should the transaction fail to close, HUD may consider the earnest money deposit forfeited or may return all or a portion of the earnest money deposit.

**(1) Investor Buyer**

**(a) Forfeiture of 50 Percent of the Earnest Money Deposit**

The Investor buyer forfeits 50 percent of the earnest money deposit when a transaction for an insurable Property fails to close due to HUD's or a Direct Endorsement (DE) Underwriter's determination that the Investor buyer is an unacceptable buyer.

**(b) Forfeiture of Entire Earnest Money Deposit**

The Investor buyer forfeits 100 percent of the earnest money deposit in the following circumstances:

- when a transaction for an uninsurable Property fails to close for any reason; or
- when a transaction for an insurable Property fails to close for any reason other than HUD's or a DE Underwriter's determination that the buyer is an unacceptable buyer.

**(2) Owner-Occupant Buyers**

**(a) Return of Entire Earnest Money Deposit**

HUD will return 100 percent of an owner-occupant buyer's earnest money deposit in the following circumstances:

- there has been a death in the immediate family (contract holder, spouse, or children living in the same household);
- there has been a recent serious illness in the immediate family that has resulted in significant medical expenses or substantial loss of income, thus adversely affecting the buyer's financial ability to close the sale;
- there has been a loss of job by one of the primary wage earners, or substantial loss of income through no fault of the buyer;
- on an insured sale, HUD determines that the buyer is not an acceptable Borrower;
- on an uninsured sale, the buyer was pre-approved for FHA-insured mortgage financing in an appropriate amount by a recognized mortgage lender but, despite good faith efforts, was ultimately unable to secure mortgage financing;
- HUD cancels the contract due to the presence of deteriorated lead-based paint and excessive stabilization plan costs; or
- other circumstances evidencing equally good cause, as determined by HUD.

In order to receive any part of the earnest money deposit, the owner-occupant buyer must submit documentation to the AM within allowed time limits evidencing the circumstances related to the transaction's failure to close.

**(b) Forfeiture of 50 Percent of the Earnest Money Deposit**

The Owner-Occupant Borrower forfeits 50 percent of the earnest money deposit when a transaction for an uninsurable Property fails to close because the owner-occupant buyer was unable to secure non-FHA-insured mortgage financing from a recognized mortgage lender, despite good faith efforts.

In order to receive any part of the earnest money deposit, the owner-occupant buyer must submit documentation to the AM within allowed time limits evidencing the circumstances related to the transaction's failure to close.

**(c) Forfeiture of Entire Earnest Money Deposit**

The buyer forfeits 100 percent of the earnest money deposit in the following circumstances:

- the buyer does not submit documentation supporting their reason for the return of any part of the earnest money deposit within 30 Days, or

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such other time allowed by the AM in writing, following contract cancellation; or

- the buyer's submitted documentation fails to support an acceptable cause for the buyer's failure to close.

**(3) Vacant Lots**

Buyers of vacant lots will be considered [investor buyers](#) for the purpose of earnest money deposit disposition.

**(E) Failure to Abide by HUD's Earnest Money Policy**

Listing brokers who fail to comply with HUD's instructions for the disposition of each earnest money deposit may be subject to such action including:

- Limited Denial of Participation (LDP);
- notification of the state real estate commission or regulatory body; or
- suspension or termination of the Broker's NAID.

**iv. Failure to Submit Sales Documents**

Should the winning bidder fail to submit a ratified sales contract and accompanying documentation and deposits within allowed time limits, the AM may offer the Property to back-up bidders before relisting the Property.

**v. Electronic Signatures**

The use of electronic signatures is voluntary. HUD will permit the use of electronic signatures conducted in accordance with the [Policy on Use of Electronic Signatures](#) on the HUD REO *Sales Contract* and related addenda requiring signatures, unless otherwise prohibited by law.

**j. Inspection Contingency**

**i. Standard**

After HUD ratifies the sales contract, the buyer has 15 Days to:

- access the Property to conduct any inspections, tests, or risk assessments at their expense; and
- for Properties constructed before 1978, review all available records and reports relating to lead-based paint or lead-based paint hazards in the Property.

If the HUD REO appraisal was completed without the utilities being activated and the buyer is using FHA-insured financing, the Mortgagee or buyer must complete the systems check while the utilities are activated. The Mortgagee or buyer may contact the Field Service Manager (FSM) to request activation of utilities; HUD may charge a fee for this service.



**ii. Repairs Necessary to Comply with Mortgage Lender or State or Local Law Requirements**

HUD sells REO Properties as-is. When necessary to comply with mortgage lender requirements or state or local law, a buyer may submit a request to the AM for repairs. The buyer must include with its request:

- documentation reflecting that such repairs are necessary to comply with lender or state or local requirements; and
- a copy of a home inspection report identifying the property condition at issue.

HUD will review requests on a case-by-case basis and, at its sole discretion, may make the requested repairs. HUD may impose some or all of the cost of repairs on the buyer.

**iii. Withdrawal from Sales Contract**

Before the expiration of the inspection contingency period, the buyer may terminate their obligation to purchase the house and request a refund of the earnest money deposit by providing to the AM:

- written notice of its withdrawal from the sales contract; and
- a copy of a home inspection report identifying serious problems or conditions with the Property that were not previously disclosed or corrected.

**k. Closing**

**i. Closing Agents**

**(A) Definition**

A Closing Agent is the Entity responsible for conducting the closing of a HUD REO property sales transaction, including submitting closing packages, and wiring sales proceeds to the U.S. Treasury.

**(B) Standard**

The buyer must select a Closing Agent who meets HUD's [Closing Agent Standards](#).

**(1) Antidiscrimination Laws**

Closing Agents and their employees, or persons or Entities otherwise authorized to act for the Closing Agent, must:

- comply with Title VIII of the Civil Rights Act of 1968 (Fair Housing Act, Title VIII, or Public Law 90-284) or Executive Order 11063;
- not discriminate on the basis of race, color, religion, national origin, sex, age, disability, or actual or perceived sexual orientation and gender identity; and
- instruct their staffs in the policies of nondiscrimination and all applicable local, state, and federal fair housing and non-discrimination laws.

**(2) No Conflicts of Interest**

A Closing Agent must not participate in a closing where the Closing Agent's spouse, children, or business associates have a financial interest in the Property. Financial interest includes having an equity, creditor, mortgage lender, or debtor interest in any corporation, trust, or partnership with a financial interest in the Property.

**(C) Required Documentation**

The buyer and selling broker must identify the selected Closing Agent as follows:

- identify the Closing Agent on line 9 of form HUD-9548, *Sales Contract*; and
  - submit the Closing Agent designation form with the sales contract package.
- The form, at a minimum, must include the following:
- the name of the Closing Agent;
  - the full address of Closing Agent; and
  - the telephone number, email address, and contact person.

The Closing Agent must sign and certify in the Closing Instructions and Certification that they meet HUD's requirements and will adhere to HUD's Closing Instructions.

**(D) Closing Agent Fee**

The Buyer is primarily responsible for any and all Closing Agent and closing fees, up to the maximum allowed per state law and regulatory requirements.

The Buyer may apply amounts listed on Line 5 of the sales contract for payment of closing fees.

**ii. Time Frame for Closing**

The time frame for closing is specified in Line 9 of the Sales Contract. The Closing Agent must schedule a firm Closing Date within the time frame set by the AM. The AM will identify the time frame for closing in Line 9 of the Sales Contract as follows:

- for cash sales, within 30 Days of contract ratification;
- for sales involving mortgage financing, within 45 Days of contract ratification; and
- for sales involving a 203(k) product, within 60 Days of contract ratification.

**(A) Requests for Extensions**

If scheduled Closing Dates cannot be met, the selling broker or buyer may request extensions of the closing time from the AM before the expiration of the sales contract by:

- submitting the request for an extension in writing; and
- if applicable, including an extension fee for the full amount of the requested 15-Day extension, in the form of certified funds payable to HUD.

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The AM will grant extensions in 15-Day increments on a case-by-case basis when extenuating circumstances preclude the buyer from closing as scheduled.

**(1) Fees for Extensions**

The AM may assess a daily fee for initial or repeat sales contract extensions as follows:

- for a sales price of \$25,000 or less, the extension fee is \$10 per Day;
- for a sales price of \$25,001 to \$50,000, the extension fee is a minimum of \$10 per Day and a maximum of \$15 per Day; and
- for a sales price over \$50,000, the extension fee is a minimum of \$10 per Day with a maximum of \$25 per Day.

**(2) No Cost Extensions**

The AM will grant extensions at no cost to the buyer if the delay is due to HUD, HUD's contractors, or a title defect.

The AM will also grant an initial extension to owner-occupant buyers who demonstrate that:

- the buyer made a proper and timely loan application;
- the buyer is not responsible for the delay in closing; and
- mortgage approval is imminent.

If approved, the AM will grant a 30-Day extension for Section 203(k) transactions or a 15-Day extension for all other transactions.

**(3) Application of Extension Fee**

If the sale closes before the expiration of the extension, the extension fee will be applied to the amount due from the buyer and the buyer will be credited with any unused portion of the fee, computed on a daily basis.

**(B) Notification from HUD on Extension**

The AM will notify the selling broker of the approval or denial of the extension request, which must also be completed with a copy placed in the property file before the scheduled Closing Date.

**(C) Closing Time Frame Lapsed**

When closing does not occur as scheduled and the buyer has not requested and received an extension of time to close, the AM will [cancel](#) the sales contract.

**iii. Commissions**

**(A) Standard**

For sales to buyers other than Governmental Entities or HUD-approved Nonprofits, HUD will pay commission to listing brokers and selling brokers as follows, based on averages for the area and depending on the level of service provided to HUD and on value and market conditions. The selling broker may contact the listing broker for transaction-specific commission amounts.

**(1) Commission Amounts**

**(a) Minimum Commission**

HUD will pay commissions not less than:

- \$200 each for the listing broker and selling broker for sales of vacant lots; and
- \$500 each for the listing broker and selling broker for all other sales.

**(b) Maximum Commission**

For sales of vacant lots, HUD will pay commissions totaling not more than 10 percent of the bid price.

For all other sales, HUD will pay commissions totaling not more than 6 percent of the bid price.

**(c) Hard-to-Sell Properties**

For sales of Properties designated as hard-to-sell, HUD will pay up to a total sales commission of \$1,000, to be split between the listing broker and selling broker.

**(2) Split of Sales Commission**

Listing brokers and selling brokers will split sales commissions. the selling broker's acceptance of a lower commission does not affect the amount the listing broker will receive.

**(3) Calculating Commission on Discounted Sales**

For discounted sales, the listing broker and selling broker may calculate commission based on the bid price before any discounts are deducted.

**(B) Required Documentation**

The listing broker and selling broker must enter on the HUD Sales Contract the actual commissions to be paid.

**iv. Closing Costs**

**(A) Costs Automatically Paid by HUD**

HUD will pay the following closing costs:

- proration of property taxes and any special assessments such as Homeowners' Association (HOA) fees and utility bills;
- condominium or HOA transfer fee, if applicable;
- the cost to provide condominium documents to the buyer;
- repair escrow inspection fee of \$200, if applicable;
- recording fees and charges for the deed;
- overnight mailing fee for the final Settlement Statement, signed by the buyers and the Closing Agent, and sent to the AM contractor; and
- state and local transfer taxes that are reasonable and customary in the jurisdiction where the Property is located.

**(B) Other Financing and Closing Costs for Properties in Competitive Sales**

**(1) Standard**

For Properties sold in competitive sales and not in GNND transactions, HUD will pay the buyer's actual financing and closing costs in an amount up to 3 percent of the Property's gross purchase price, provided that the costs are reasonable and customary in the jurisdiction where the Property is located. The gross purchase price is the bid price before any subtractions requested by the buyer for financing and loan closing costs, and the broker's sales commission.

HUD will retain any Line 5 funds not used at closing.

**(2) Required Documentation**

The buyer must identify on Line 5 of the Sales Contract their requested financing and closing costs.

**v. Closing Process**

**(A) Closing Agent Assignments**

The AM will provide the Closing Agent with the following items:

- fully ratified sales contract and addenda;
- title evidence (when available);
- wire instructions;
- pre-closing and post-closing instructions;
- HOA documents, if applicable;
- all outstanding property bills; and
- any other documentation deemed necessary by the GTR.

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The AM will provide these documents within two business days of the AM's ratification of the sales contract, the issuance of the HUD-issued Title Identification (ID) Number, or, for ACA sales, receipt of the fully executed Notice of Acquisition from the ACA participant.

**(B) Pre-Closing Package**

The Closing Agent must upload into P260 and send to the AM a pre-closing package no later than five business days before closing. The pre-closing package must include the following documents:

- the Settlement Statement and signature affidavits:
  - If the buyer has obtained new FHA financing, the Closing Agent must ensure that the FHA case number is listed on Line 8; or
  - If the buyer has not obtained new FHA financing, the Closing Agent must ensure that the previous FHA case number associated with that Property is listed in the "Seller Name" block of the Settlement Statement;
- the deed prepared by Closing Agent;
- supporting documentation of any charges to HUD on the Settlement Statement, such as past due bills for utilities or HOAs;
- recent tax documentation from the county;
- mortgagee documents itemizing all costs to be paid by HUD;
- copies of the extension fee payment, if applicable;
- seller's affidavit, if applicable;
- Closing Agent contact information; and
- a signed copy of the Closing Instructions.

**(1) Settlement Statement**

The Closing Agent must accurately prepare the preliminary Settlement Statement and provide it to the AM for their review and approval.

**(2) Deed**

The Closing Agent must prepare a special warranty or grant deed, where applicable, and provide the deed to the AM for their review and execution.

**(C) HUD Review of Pre-Closing Package**

The Closing Agent must ensure that sales documents are prepared accurately and promptly remitted to HUD's AM contractor for review.

The AM will review the pre-closing package prepared by the Closing Agent. If approved, the AM will return the Settlement Statement and overnight the original, signed deed to the Closing Agent before closing.

**(D) Notification to HUD of Closing**

The Closing Agent must notify the AM on the same Day as the closing of the transaction.

**(E) Deposit of Sales Proceeds**

No later than one business day after closing, the Closing Agent must deposit the sales proceeds and initiate the request for wire transfer of the full amount of sales proceeds due HUD. The Closing Agent must include the FHA case number on the wire transfer request.

**(F) Delivery of Deed for Recording**

No later than one business day after closing, the Closing agent must deliver the deed for recording and must notify the taxing authority and HOA, if applicable, that title has changed to a new owner.

**(G) Final Closing Package**

**(1) Standard**

Within two business days of closing, the Closing Agent must upload into P260 and mail to the AM a Final Closing Package including all of the following:

- all pages of the Closing Instructions and certifications;
- the final Settlement Statement and all signed certifications;
- evidence the deed was delivered for recordation or a recorded copy;
- a copy of the wire confirmation proceeds transfer to the U.S. Treasury;
- a copy of form SAMS-1103, *Request to Wire Transfer Funds*;
- a copy of all applicable invoices or receipts of Disbursements; and
- a copy of the disbursement log accounting for all incoming and outgoing funds related to the transaction.

**(2) GNND Additions to Final Closing Package**

No later than five business days after closing, the Closing Agent must also send to the AM the following:

- the original Note;
- a copy of the Mortgage with evidence that it was delivered for recording; and
- a copy of the recorded Mortgage, when available.

**(H) Cancelled Closings**

To cancel the sales contract after ratification by HUD, the buyer or selling broker must contact the AM and complete any required cancellation documentation provided by the AM.

**IV. Claims and Disposition**  
**B. Disposition**  
**2. REO Property Disposition**

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- 1           The Closing Agent must send to the AM the signed deed and any extension fees in
- 2           their possession.
- 3           The AM will ensure the return of the signed deed and forfeited extension fees, if any,
- 4           to HUD.
- 5           The AM may offer the Property to back-up bidders before relisting the Property.

DRAFT



**V. Quality Control, Oversight and Compliance**

**B. Quality Control of Other Participants**

**2. Real Estate Brokers**

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**1 V. QUALITY CONTROL, OVERSIGHT AND COMPLIANCE**

**2 B. QUALITY CONTROL OF OTHER PARTICIPANTS**

**3 2. Real Estate Brokers**

4 HUD's Asset Manager (AM) and Homeownership Center staff are responsible for quality control  
5 and monitoring procedures for HUD-Registered Real Estate Brokers.

**6 10. Closing Agents**

7 HUD's Asset Manager (AM) and Homeownership Center staff are responsible for quality control  
8 and monitoring procedures for Closing Agents.

**9 D. MONITORING OF OTHER PARTICIPANTS**

**10 2. Real Estate Brokers**

11 HUD-Registered Real Estate Brokers will be monitored by the AM, who will report any  
12 deficiency or noncompliance issues to HUD for further investigation and/or action that may  
13 result in deactivation of the HUD-Registered Real Estate Broker's NAID.

**14 10. Closing Agents**

15 Closing Agents will be monitored by the AM, who will report any deficiency or noncompliance  
16 issues to HUD for further investigation and/or action that may result in deactivation of the  
17 Closing Agent's Title ID number.

**V. Quality Control, Oversight and Compliance**

**E. Enforcement**

**1. Actions and Sanctions Against Individuals and Other Program Participants**

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**E. ENFORCEMENT**

**1. Actions and Sanctions Against Individuals and Other Program Participants**

**e. Specific Program Participants**

**ii. Real Estate Brokers**

**(A) Removal for Good Cause**

HUD may rescind real estate brokers' HUD registration and prohibit those brokers from participating in the sale of HUD REO Properties for good cause. Good cause includes, but is not limited to:

- conviction under 18 U.S.C. 371 or 1010 of a broker or by an agent supervised by that broker and acting within the scope of their duties; and
- any of the following actions by a broker or an agent supervised by that broker and acting within the scope of their duties:
  - falsifying mortgage documents or aiding or abetting others in the use of false or misleading information including, but not limited to, forged or fraudulent gift letters and owner-occupant certifications;
  - acting in concert with an Appraiser to arrive at an artificial appraised value;
  - engaging in fraudulent activities that have led to Default and payment of an insurance claim;
  - failing to comply with earnest money collection, management, and disbursement procedures;
  - failing to maintain a current state license;
  - violating the Real Estate Settlement Procedures Act (RESPA);
  - failing to comply with civil rights requirements regarding the sale of HUD-owned Single Family Properties;
  - involvement in, or knowledge of, any fraudulent activity by any person involved in the REO sales transaction; and
  - any other actions or omissions that evidence a lack of business integrity or non-compliance with the laws, regulations, and rules applicable to housing, lending, or real estate sales.

**(B) Notice to Real Estate Broker**

Once HUD makes an initial Finding that there is good cause to remove a real estate broker, HUD will provide the real estate broker with written notice of proposed suspension or termination of the NAID and deactivation of the broker's access to HUD's systems used for HUD REO sales.

**V. Quality Control, Oversight and Compliance**

**E. Enforcement**

**1. Actions and Sanctions Against Individuals and Other Program Participants**

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**(C) Effective Date of Removal**

The real estate broker's suspension, termination, and/or deactivation is effective 30 Days from the date of HUD's written notice, unless the broker submits a written response or requests a conference.

**(D) Real Estate Broker Response and Conference**

Within 20 Days after the date of the notice or within such time provided in the notice, the real estate broker may submit a written response to HUD opposing the proposed removal and may request a conference.

The real estate broker must submit a request for a conference in writing and must submit this request with the written response.

HUD will delay suspension, termination, and/or deactivation until it makes a final determination on the real estate broker's response and conference. HUD will notify the real estate broker in writing of its decision; the written decision by HUD shall constitute final agency action.

**(E) Effect of Removal Proceedings on Bids**

HUD will honor all bids submitted and commissions earned by the real estate broker before removal, unless HUD determines that the bids or commissions were made under fraudulent circumstances.

**x. Closing Agents**

HUD reserves the right to sanction or remove any Closing Agent that does not abide by HUD's closing instructions and requirements.

## FHA Single Family Housing Policy Handbook

### GLOSSARY

#### **30-Day Account**

A 30-Day Account refers to a credit arrangement that requires the Borrower to pay off the outstanding balance on the account every month.

#### **30-Day Advance Prepayment Notice Period**

The 30-Day Advance Prepayment Notice Period refers to the time requirement for the Borrower to provide advance notice to the Mortgagee for prepayment of an FHA-insured Mortgage insured prior to August 2, 1985.

#### **90-Day Review**

The 90-Day Review is a Mortgagee's required evaluation, occurring before four monthly installments are due and unpaid, of a Defaulted Mortgage for appropriate Loss Mitigation Options.

#### **Accessory Dwelling Unit (ADU)**

An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities.

#### **Acquisition Cost**

The Acquisition Cost is the purchase price of the Property, including closing costs, prepaid costs, and commissions, if paid by the purchaser, but not including the cost of any repairs that the purchaser makes to the Property subsequent to acquisition.

#### **Active Duty**

Active Duty refers to a status where a person has a full-time military occupation.

#### **Adequate Vehicular Access**

Adequate Vehicular Access to Property refers to an all-weather road surface over which emergency and typical passenger vehicles can pass at all times.

#### **Adjustable Rate Mortgage**

An Adjustable Rate Mortgage (ARM) refers to a Mortgage in which the interest rate can change annually based on an index plus a margin.

#### **Adjusted As-Is Value (applicable to 203(k) only)**

For purchase transactions, the Adjusted As-Is Value refers to the lesser of:

- the purchase price less any inducements to purchase; or
- the As-Is Property Value.

For Refinance transactions, the Mortgagee must obtain an as-is appraisal to determine the Adjusted As-Is Value when the existing debt on the Property plus the cost of repairs exceeds the After Improved Value, or the Property was acquired within 12 months of the case number assignment date.

For Properties acquired greater than or equal to 12 months prior to the case number assignment date:

- When an appraisal is required, the Adjusted As-Is Value is the As-Is Property Value.
- When the existing debt on the Property plus the cost of repairs does not exceed the after-improved value, the Mortgagee has the option of using the existing debt or an as-is appraisal to determine the Adjusted As-Is Value.

For Properties acquired within 12 months of the case number assignment date:

- For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted As-Is Value is the lesser of:
  - existing debt plus fees associated with the new Mortgage; or
  - the As-Is Property Value.
- For Properties acquired by the Borrower within 12 months of the case number assignment date by inheritance or through a gift from a Family Member, the Mortgagee may utilize the calculation of Adjusted As-Is Value for Properties acquired greater than or equal to 12 months prior to the case number assignment date.

For HUD REO, the Adjusted As-Is Value is the lesser of:

- the contract sales price; or
- the listing price.

### **Adjusted Value (Not for 203(k) Mortgages)**

For purchase transactions, the Adjusted Value is the lesser of:

- purchase price less any inducements to purchase; or
- the Property Value.

For refinance transactions:

- For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of:
  - the Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or
  - the Property Value.
- Properties acquired by the Borrower within 12 months of case number assignment by inheritance or through a gift from a Family Member may utilize the calculation of Adjusted Value for Properties purchased 12 months or greater.
- For Properties acquired by the Borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value.

### **Advertising Device**

An Advertising Device is a channel or instrument used to solicit, promote or advertise FHA products or programs. Advertising Devices are present in the entire range of electronic and print

media utilized by Mortgagees, including, but not limited to, websites, website addresses, business names, aliases, DBA names, domain names, email addresses, direct mail advertisements, solicitations, promotional materials and correspondence.

**Affiliate**

An Affiliate is a contractor, agent, vendor, subservicer, or Sponsored Third-Party Originator (TPO) who participates in FHA programs on behalf of an FHA-approved Mortgagee.

**Affordable Housing Program Plan**

Affordable Housing Program Plan (AHPP) refers to a program plan, as described in a written proposal submitted to FHA, operated by a nonprofit in specific geographical areas in which the nonprofit provides affordable homeownership opportunities for low- to moderate-income buyers by purchasing, rehabilitating, and reselling HUD Homes to these buyers. The program can include other homeownership activities, such as counseling.

**After Improved Value**

After Improved Value refers to the value as determined by the Appraiser based on a hypothetical condition that the repairs or alterations have been completed.

**Alimony, Child Support, and Maintenance Income**

Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent.

**Annuity Income**

Annuity Income refers to a fixed sum of money periodically paid to the Borrower from a source other than employment.

**Appraisal Conditions**

Appraisal Conditions refer to anything the Appraiser requires to occur or be known before the value of conclusion can be considered valid.

**Appraiser**

Appraiser refers to an FHA Roster Appraiser who observes, analyzes, and reports the physical and economic characteristics of a Property and provides an opinion of value to FHA. An Appraiser's observation is limited to readily observable conditions and is not as comprehensive an inspection as one performed by a licensed home inspector.

**Appropriate HOC**

The Appropriate [HOC jurisdiction](#) is determined by the location of the Property securing the FHA Mortgage.

**Approved Mortgage**

An Approved Mortgage is a Mortgage underwritten and approved by a Direct Endorsement (DE) underwriter, or covered by a firm commitment issued by HUD.

**Arm's Length PFS Transaction**

An Arm's Length Pre-Foreclosure Sale (PFS) Transaction is between two unrelated parties that is characterized by a selling price and other conditions that would prevail in an open market environment and without hidden terms or special understandings existing between any of the parties (e.g., buyer, seller, Appraiser, sales agent, closing agent, and Mortgagee).

**Arm's Length Transaction**

An Arm's Length Transaction refers to a transaction between unrelated parties who are each acting in their own best interest.

**Articles of Organization**

Articles of Organization refers to articles of incorporation, charter, articles of association, constitution, trust instrument, or any other written instrument by which an organization is created.

**As-Is Property Value (applicable to 203(k) only)**

As-Is Property Value refers to the Adjusted As-Is Value as determined by the FHA Roster Appraiser except in the case of Property Flipping and HUD REO purchases.

**Authoritative Copy**

The Authoritative Copy refers to the controlling reference copy. The Authoritative Copy of an electronically signed document refers to the electronic record that is designated by the Mortgagee or holder as the controlling reference copy.

**Authorized Third Party**

Authorized Third Parties are parties who are not Borrowers on the Mortgage but who are authorized to communicate with Mortgagees regarding a Mortgage.

**Automobile Allowance**

Automobile Allowance refers to the funds provided by the Borrower's employer for automobile related expenses.

**Base Loan Amount**

The Base Loan Amount is the mortgage amount prior to the addition of any financed Upfront Mortgage Insurance Premium (UFMIP). Unless otherwise stated in this *SF Handbook*, all references to maximum mortgage amount or mortgage amount shall refer to the Base Loan Amount.

**Basis Point**

A Basis Point (bps) is one one-hundredth of one percent.

**Boarder**

Boarder refers to an individual renting space inside the Borrower's Dwelling Unit.

**Borrower**

Borrower refers to each and every Borrower on the mortgage application. The term Borrower does not include a Cosigner.

**Borrower (applicable to Servicing)**

For the purposes of servicing the Mortgage, Borrower refers to the original Borrower who signs the Note and their heirs, executors, administrators, assigns, and approved Substitute Borrowers.

**Bracketing**

Bracketing refers to selecting comparable properties with features that are superior to and inferior to the subject features.

**Broom-swept Condition**

Broom-swept Condition is the condition of a Property that is, at a minimum, reasonably free of dust and dirt and free of hazardous materials or conditions, personal belongings, and interior and exterior debris.

**Business Formation Documents**

Business Formation Documents are an entity's articles of incorporation, bylaws, organization charter, operating agreement, partnership agreement, and similar documentation.

**Business Relationship**

Business Relationship refers to an association between individuals or companies entered into for commercial purposes.

**Cash for Keys**

Cash for Keys is a monetary consideration offered as an alternative to legal eviction to property occupants after foreclosure.

**Cash on Hand**

Cash on Hand refers to cash held by the Borrower outside of a financial institution.

**Cash Reserves**

Cash Reserves include all non-retirement liquid assets available for withdrawal or liquidation from all financial institutions. Such accounts include, but are not limited to, the following:

- brokerage, mutual funds, checking, savings, money market or certificate of deposits, other depository accounts, and stocks;
- other equity instruments such as marketable debt of federal, state, or local governments, Government-Sponsored Enterprises, corporations and other businesses; and
- other securities and commodities (including futures, traded on an exchange or marketplace generally available to the public) for which values can be readily verified using Schedules B (Interest & Dividends), D (Capital Gains & Losses) and E (Supplemental Income & Loss) of the Borrower's most recent federal tax return.



**Certification Period**

The Certification Period is the one-year period, beginning on the first day of the Mortgagee's prior fiscal year and ending on the last calendar day thereof.

**Change Date**

The Change Date is the effective date of an adjustment to the interest rate, as shown in Paragraph 5(a) of the model Adjustable Rate Note form.

**Charge Off Account**

A Charge Off Account refers to a Borrower's loan or debt that has been written off by the creditor.

**Child Support**

See **Alimony, Child Support, and Maintenance Income**.

**Claims without Conveyance of Title**

A Claim without Conveyance of Title (CWCOT) is a procedure under which the Mortgagee attempts to secure a third party purchaser for the mortgaged Property so that conveyance to HUD is not required in exchange for mortgage insurance benefits.

**Closing Date**

The Closing Date is the settlement date on the Settlement Statement or similar legal document. This is also known as the origination date.

**Combined Loan-to-Value (CLTV)**

The CLTV is computed as the Base Loan Amount plus the outstanding principal balance of all subordinate Mortgage(s) divided by the Adjusted Value.

**Combined Rate**

Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium rate.

**Commission Income**

Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.

**Commissioner's Adjusted Fair Market Value**

The Commissioner's Adjusted Fair Market Value (CAFMV) is the estimate of the fair market value of the mortgaged Property, less adjustments, which may include without limitation, HUD's estimate of holding costs and resale costs that would be incurred if title to the mortgaged Property were conveyed to HUD.

**Community Water System**

A Community Water System refers to a central system that is owned, operated and maintained by a private corporation or a nonprofit property owners' association.

**Complete Loss Mitigation Request**

A Complete Loss Mitigation Request is a request for loss mitigation assistance that contains all information the Mortgagee requires from the Borrower in order to evaluate Loss Mitigation Options.

**Complete Nonprofit Application**

A Complete Nonprofit Application refers to an application that satisfies all general application requirements and all program specific application requirements for the programs in which the nonprofit seeks approval.

**Condominium Project**

A Condominium Project refers to a multi-unit Property in which persons hold title to individual units and an undivided interest in common elements. Common elements (areas) include underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration. Common areas are typically managed by a condominium association.

**Conformed Copy**

A Conformed Copy is a copy that agrees with the original and all amendments to it.

**Contingency Reserve**

Contingency Reserve refers to funds that are set aside to cover unforeseen project costs.

**Continuous Income**

Continuous Income is income received by the Borrower that is reasonably likely to continue from the date of the Mortgagee's loss mitigation evaluation through at least the next 12 months.

**Contract Execution Date**

Contract Execution Date refers to the date the contract has been executed by all parties.

**Contributory Value**

Contributory Value refers to the change in the value of a Property as a whole, whether positive or negative, resulting from the addition or deletion of a property component.

**Corporate Officer**

A Corporate Officer of a Nonsupervised or Investing Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee: Owner, President, Vice President, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, General Counsel, Chairman of the Board, General Partner, or Member or Manager of an LLC.

A Corporate Officer of a Supervised or Government Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee: President, Vice President in charge of managing or overseeing any aspect of the Mortgagee's FHA business, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, General

Counsel, Chairman of the Board, General Partner, or specifically designated staff member(s) of a Government Mortgagee.

**Cosigner**

Cosigner refers to a third party to a debt that provides a guarantee that a debt will be repaid.

**Cost Estimate**

Cost Estimate refers to a breakdown of the cost for each proposed Work Item, prepared by a 203(k) Consultant.

**Credit-qualifying Loans**

Credit-qualifying Loans refer to any loan(s) (e.g., mortgage loan, consumer credit card, automobile, etc.) where one or more of the borrowers have obtained and qualified for credit.

**Current Index Figure**

The Current Index Figure is

- the most recent index figure available 30 Days before the date of each interest rate adjustment, for Mortgages closed before January 10, 2015, and
- the most recent figure available 45 days before the date of each interest rate adjustment, for Mortgages closed on or after January 10, 2015.

**Data Plate**

Data Plate refers to a paper document located on the interior of the Property that contains specific information about the unit and its manufacturer.

**Days**

Days refer to calendar Days.

**Decision Credit Score**

Decision Credit Score refers to the credit score selected from the credit repositories (i.e., Equifax, Trans Union, and Experian) for use when underwriting the loan. A “decision credit score” is determined for each applicant according to the following rule: when three scores are available (one from each repository), the median (middle) value is used; when only two are available, the lesser of the two is chosen; when only one is available that score is used.

**Declining Market**

A Declining Market refers to any neighborhood, market area or region that demonstrates a decline in prices or deterioration in other market conditions as evidenced by an oversupply of existing inventory or extended marketing times.

**Deed-in-Lieu of Foreclosure**

A Deed-In-Lieu (DIL) of Foreclosure is a Loss Mitigation Home Disposition Option in which a Borrower voluntarily offers the deed as collateral Property to HUD in exchange for a release from all obligations under the Mortgage.

**Deed Restriction**

A Deed Restriction refers to a private agreement that restricts the use of real estate in some way, and is listed in the deed.

**Default**

A Mortgage is in Default when the Borrower fails to make any payment or to perform any other obligation under the Mortgage for a period of 30 Days.

**Deficit Income Test**

The Deficit Income Test (DIT) is a financial analysis test used for Standard PFS transactions to determine if a Borrower can sustain their Mortgage.

**Delinquent**

A mortgage account is Delinquent any time a payment is due and not paid.

**Disbursement**

Disbursement refers to the release of mortgage proceeds to the Borrower.

**Disbursement Date**

The Disbursement Date refers to the date the proceeds of the Mortgage/Loan are made available to the Borrower.

**Disputed Derogatory Credit Account**

Disputed Derogatory Credit Account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months.

**Distributive Share**

A Distributive Share is a share of any excess earnings from the Mutual Mortgage Insurance Fund that may be distributed to a Borrower after mortgage insurance termination.

**Dwelling Unit**

Dwelling Unit refers to a single unit of residence for a household of one or more persons.

**Early Payment Defaults**

Early Payment Defaults (EPD) refer to all Mortgages that become 60 Days Delinquent within the first six payments.

**Early Start Letter**

Early Start Letter refers to the document issued by the Mortgagee in response to a builder's request to start construction before the appraisal is completed.

**Easement**

An Easement refers to an interest in land owned by another person, consisting of the right to use or control the land, or an area above or below it, for a specific limited purpose.

**Economic Event**

Economic Event refers to any occurrence beyond the Borrower's control that results in loss of employment, loss of income, or a combination of both, which causes a reduction in the Borrower's household income of 20 percent or more for a period of at least six months.

**Effective Income**

Effective Income refers to income that may be used to qualify a Borrower for a Mortgage.

**Eligible Contractor**

Eligible Contractor refers to a contractor that meets all state and local licensing requirements and, if applicable, federal certification requirements.

**Employer Assistance**

Employer Assistance refers to benefits provided by an employer to relocate the Borrower or assist in the Borrower's housing purchase, including closing costs, Mortgage Insurance Premiums, or any portion of the Minimum Required Investment.

**Employer Housing Subsidy**

Employer Housing Subsidy refers to employer-provided mortgage assistance.

**Employment Authorization Document**

Employment Authorization Document refers to the form provided by the U.S. Citizenship and Immigration Services (USCIS) that proves an individual is allowed to work in the United States for a specific period of time.

**Employment Income**

Employment Income refers to income received as an employee of a business that is reported on IRS Form W-2.

**Encroachment**

An Encroachment refers to an interference with or intrusion onto another's property.

**Entity**

Entity refers to a business Entity such as a corporation, trust, partnership, or sole proprietorship.

**Equivalent System**

A system equivalent to the Credit Alert Verification Reporting System (CAIVRS) provided by HUD that Mortgagees may use to obtain information on delinquent Federal Debts from public records, credit reports or other sources.

**Excess Land**

Excess Land refers to land that is not needed to serve or support the existing improvement. The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel. Excess Land may have the potential to be sold separately.

### **Excluded Parties**

Excluded Parties refer to business parties that have been suspended and/or debarred from further participation in HUD and other federal government programs due to unethical business practice.

### **Executed SFB-Unemployment Agreement**

The SFB-Unemployment Agreement is considered “executed” when:

- at least one of the Borrowers has signed and dated the agreement;
- the agreement has been returned to the Mortgagee; and
- the authorized Mortgagee representative has signed and dated the agreement as well.

### **Existing Construction**

Existing Construction refers to a Property that has been 100 percent complete for over one year or has been completed for less than one year and was previously occupied.

### **Existing Construction for Manufactured Housing**

Existing Construction for Manufactured Housing refers to a Manufactured Home that has been permanently installed on a site for one year or more prior to the case number assignment date.

### **Existing Less than One Year**

Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the Certificate of Occupancy (CO) or equivalent. The Property must have never been occupied.

### **Expected Income**

Expected Income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 Days of mortgage closing.

### **Externalities**

Externalities refer to off-site conditions that affect a Property’s value. Externalities include heavy traffic, airport noise and hazards, special airport hazards, proximity to high pressure gas lines, Overhead Electric Power Transmission Lines and Local Distribution Lines, smoke, fumes, and other offensive or noxious odors, and stationary storage tanks.

### **Family Member**

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- child, parent, or grandparent
  - a child is defined as a son, stepson, daughter, or stepdaughter
  - a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
- spouse or domestic partner
- legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption
- foster child
- brother, stepbrother
- sister, stepsister

- uncle
- aunt
- son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower

**Family-Owned Business Income**

Family-Owned Business Income refers to Employment Income earned from a business owned by the Borrower's family, but in which the Borrower is not an owner.

**Federal Banking Agencies**

The Federal Banking Agencies are the Federal Reserve System (FRS), Federal Deposit Insurance Corporation (FDIC), and the Credit Union Administration (NCUA).

**Federal Debt**

Federal Debt refers to debt owed to the federal government for which regular payments are being made.

**Federal Tax Debt**

Federal Tax Debt refers to tax debt owed to the federal government for which regular payments are required.

**Fee Simple**

Fee Simple refers to an absolute ownership unencumbered by any other interest or estate.

**FHA-HAMP**

The FHA-HAMP Option is a Loss Mitigation Option using a Loan Modification and/or Partial Claim to allow the Mortgage to be reinstated, by establishing an affordable monthly payment and providing for principal deferment as needed.

**Final Reconciliation**

Final Reconciliation refers to the process by which an Appraiser evaluates and selects from among alternative conclusions to reach a final value estimate, and reports the results of the analysis.

**Finding**

A Finding refers to a final determination of defect by the Lender (for Title I), Mortgagee (for Title II), or other participants, as applicable.

**Forbearance Plans**

Forbearance Plans are arrangements between a Mortgagee and Borrower that may allow for a period of reduced or suspended payments and may provide specific terms for repayment.

**Formal Forbearance Plans**

Formal Forbearance Plans are written agreements executed by one or more of the Borrowers, allowing for reduced or suspended payments for a period greater than three months, but not more

than six months, unless otherwise authorized by HUD, and such plans may include specific terms for repayment.

**Funding Date**

The Funding Date is the date the proceeds of the Mortgage are made available to the borrower.

**Government Mortgagee**

A Government Mortgagee is a federal, state, or municipal governmental agency, a Federal Reserve Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac), or the Federal National Mortgage Association (FNMA, or Fannie Mae).

**Governmental Entity**

A Governmental Entity refers to any federal, state, or local government agency or instrumentality. To be considered an instrumentality of the government, the Entity must be established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion). HUD deems Section 115 Entities to be instrumentalities of government for the purpose of providing secondary financing.

**Grass Cuts**

Grass Cuts are the Property P&P actions of mowing, weeding, edge trimming, sweeping of all paved areas, and removal of all lawn clippings, related cuttings, and debris.

**Gross Living Area**

Gross Living Area (GLA) refers to the total area of finished, above-grade residential space calculated by measuring the outside perimeter of the Structure. It includes only finished, habitable, above-grade living space.

**Grossing Up**

Grossing Up refers to the process of adjusting tax-exempt income upward by the effective tax rate to compute an equivalent taxable income amount.

**Ground Rent**

Ground Rent refers to the rent paid for the right to use and occupy the land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term.

**Home Disposition Option**

Home Disposition Options are the Loss Mitigation Options of Pre-Foreclosure Sales (PFS) and Deed-in-Lieu (DIL).

**Home Retention Option**

Home Retention Options are the Loss Mitigation Options of Informal and Formal Forbearances, SFB-Unemployment, Loan Modification, and FHA-HAMP.



**Homeowners' Association/Condominium Assessment**

A Homeowners' Association (HOA)/Condominium Assessment is a periodic payment required of property owners by an HOA or condominium association.

**Homeowners' Association /Condominium Fees**

Homeowners' Association (HOA)/Condominium Fees are HOA/Condominium Assessments plus interest, Late Charges, collection/attorney fees, and other penalties.

**Homeownership and Opportunity for People Everywhere (HOPE) Grantee**

Homeownership and Opportunity for People Everywhere (HOPE) Grantee refers to an Entity designated in the homeownership plan submitted by an applicant for an implementation grant under the HOPE program.

**Housing Development Experience**

Housing Development Experience is defined as acquisition, rehabilitation, and sale to low-to-moderate income persons.

**Housing Obligation/Mortgage Payment**

A Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned. For the purposes of servicing the Mortgage, Mortgage Payment refers to the total monthly payment on the FHA-insured Mortgage.

**HUD-approved Nonprofit**

A HUD-approved Nonprofit is a nonprofit agency approved by HUD to act as a mortgagor using FHA mortgage insurance, purchase the Department's Real Estate Owned (REO) Properties (HUD Homes) at a discount, and provide secondary financing.

**HUD Certification Label**

HUD Certification Label, also known as a HUD seal or HUD tag, refers to a two inch by four inch aluminum plate permanently attached to Manufactured Housing.

**HUD-Registered Real Estate Broker**

A HUD-Registered Real Estate Broker is a real estate listing or selling broker approved by HUD to list or sell HUD Real Estate Owned (REO) Properties.

**Identity of Interest**

Identity of Interest refers to a transaction between family members, business partners or other business affiliates.

**Imminent Default**

A Borrower facing Imminent Default is defined as a Borrower who is current or less than 30 Days past due on their mortgage obligation and is experiencing a significant, documented reduction in income or some other hardship that will prevent them from making the next required Mortgage Payment during the month that it is due.

**Indian Land**

Indian Land refers to those lands that are held by or for the benefit of Indian Tribes under some restriction or with some attribute peculiar to the legal status of its owners.

**Indian Tribe**

Indian Tribe refers to any Indian or Alaskan native tribe, band, nation, or other organized group or community of Indians or Alaskan natives recognized as eligible for the services provided to Indians or Alaskan natives by the Secretary of Interior because of its status as such an Entity, or that was an eligible recipient under Chapter 67 of title 31, United States Code, prior to the repeal of this section.

**Individual Property Files**

Individual Property Files refer to files that Governmental Entities and HUD-approved Nonprofits participating in the HUD Homes program must maintain for each Property purchased, sold, or leased when a discount of 10 percent or greater is obtained at the time of purchase.

**Individual Retirement Account (IRA)/401(k) Income**

An Individual Retirement Account (IRA)/401(k) Income refers to income received from an IRA.

**Individual Water Supply System**

An Individual Water Supply System refers to a potable water source providing water to an individual Property.

**Informal Forbearance Plans**

Informal Forbearance Plans are oral agreements allowing for reduced or suspended payments for a period of three months or less and may provide specific terms for repayment.

**Initial Index Figure**

The Initial Index Figure is the most recent figure available before the Closing Date of the Mortgage.

**Initial Vacant Property Inspection**

An Initial Vacant Property Inspection is the first inspection performed by the Mortgagee to ascertain the condition of a vacant or abandoned Property.

**Installment Due Date**

The Installment Due Date is the first Day of the month, as provided for in the security instrument.

**Installment Loans**

Installment Loans refer to loans, not secured by real estate, that require the periodic payment of principal and interest. A loan secured by an interest in a timeshare must be considered an Installment Loan.

### **Instrumentality of Government**

An Instrumentality of Government refers to an Entity that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion) and does not have 501(c)(3) status.

### **Interested Parties**

Interested Parties refer to sellers, real estate agents, builders, developers or other parties with an interest in the transaction.

### **Interested Party Contribution**

Interested Party Contribution refers to a payment by an Interested Party, or combination of parties, toward the Borrower's origination fees, other closing costs and discount points.

### **Investing Mortgagee**

An Investing Mortgagee is an organization that invests funds under its own control.

### **Investment Income**

Investment Income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts.

### **Investment Property**

Investment Property refers to a Property that is not occupied by the Borrower as a Principal or Secondary Residence.

### **Investor**

Investor refers to a Borrower(s) who will not occupy the home as a Principal or HUD-approved Secondary Residence (non-owner occupant).

### **Judgment**

Judgment refers to any debt or monetary liability of the Borrower, and the Borrower's spouse in a community property state unless excluded by state law, created by a court, or other adjudicating body.

### **Jurisdictional HOC**

Jurisdictional HOC refers to the Homeownership Center (HOC) whose jurisdiction includes the state in which the Property is located.

### **Land Subsidence**

Land Subsidence refers to the lowering of the land-surface elevation from changes that take place underground, including damage caused by sinkholes.

### **Land Use Restriction Addendum**

The Land Use Restriction Addendum (LURA) is a legally binding contractual agreement between HUD and the Governmental Entities or nonprofits imposing restrictions on the resale of

a HUD Home that the nonprofit organization or Governmental Entity purchased at a discount of 10 percent or greater.

**Last Action Taken**

Last Action Taken refers to one of the following steps in the application to endorsement process that is used to refer to the step in the process that was the last completed: (1) case number assigned; (2) appraisal information entered; (3) firm commitment issued by FHA; (4) insurance application received and subsequent updates; and (5) Notice of Return (NOR) and resubmissions. Last Action Taken does not include updates to Borrowers' names and/or property addresses, an appraisal update, or a transmission of the Upfront Mortgage Insurance Premium (UFMIP) to FHA.

**Late Charges**

Late Charges are charges assessed if a Mortgage Payment is received more than 15 Days after the due date.

**Leased Fee**

Leased Fee refers to an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others.

**Leasehold**

Leasehold refers to the right to hold or use Property for a fixed period of time at a given price, without transfer of ownership, on the basis of a lease contract.

**Leasehold Estate**

Leasehold Estate refers to the right to use and occupy real estate for a stated term and under certain conditions that have been conveyed by a lease.

**Leasehold Interests**

Leasehold Interests refer to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

**Lender**

A Title I Lender is a financial institution that (a) holds a valid Title I contract of insurance and is approved by FHA, or (b) held a Title I contract that has been terminated or suspended but remains responsible for servicing or selling the Title I Loans that it holds and is authorized to file insurance claims on these Loans Mortgages.

**Lender Electronic Assessment Portal (LEAP)**

The Lender Electronic Assessment Portal (LEAP) is an FHA system created to facilitate automated lender approval application.

### **Lender Insurance (LI) Compare Ratio**

The LI Compare Ratio is the percentage of Mortgages underwritten by the Mortgagee that are in claim or Default status compared with the percentage of Mortgages in claim or Default status for all Mortgagees operating in the same state(s) over the preceding two-year period.

### **Lien Waiver**

A Lien Waiver is a document that releases a consumer (homeowner) from any further obligation for payment of a debt once it has been paid in full. Lien Waivers typically are used by homeowners who hire a contractor to provide work and materials to prevent any subcontractors or suppliers of materials from filing a lien against the homeowner for nonpayment.

### **Loan**

Loan means a disbursement of proceeds (funds) or an advance of credit to or for the benefit of a Borrower who promises to repay the principal amount of such disbursement or advance, plus interest, if any, at a stated annual rate over time, with the Borrower's obligation evidenced by the Borrower's execution of a Note.

Loan also means a purchase by a Lender of a Note evidencing such obligation, or a refinancing of an existing obligation with or without an additional disbursement of proceeds or advance of credit.

### **Loan Administration**

Loan Administration refers to all aspects of the FHA Mortgage lifecycle, including origination, underwriting, closing, endorsement, and servicing of FHA-insured Mortgages that are governed by FHA policies and procedures.

### **Loan Modification**

A Loan Modification is a permanent change in one or more terms of a Borrower's Mortgage.

### **Loan Sample Risk Assessment**

A Loan Sample Risk Assessment is a method of evaluating loans selected for QC on the basis of the severity of the violations found during QC reviews.

### **Loan-to-Value (LTV)**

The LTV is computed as the Base Loan Amount divided by the Adjusted Value.

### **Local Distribution Lines**

Local Distribution Lines refer to electric lines that commonly supply power to residential housing developments, similar facilities and individual Properties.

### **Loss Mitigation Option**

A Loss Mitigation Option is one of the following strategies under FHA's Loss Mitigation Program requirements intended to minimize economic impact to the Mutual Mortgage Insurance (MMI) fund and to avoid foreclosure, if possible:

- Informal and Formal Forbearances
- Special Forbearances-Unemployment

- Loan Modifications
- FHA - Home Affordable Modification Program (FHA-HAMP) Loan Modifications, Partial Claims, and Combination Loan Modification/Partial Claims
- Pre-Foreclosure Sales (PFS),
- Deeds-in-Lieu (DIL) of Foreclosure

**Low- to Moderate-Income**

Low- to Moderate-Income individuals or families refer to individuals or families whose household income does not exceed 115 percent of the median income for the area when adjusted for family size.

**Maintenance Income**

See **Alimony, Child Support, and Maintenance Income**.

**Manufactured Home**

A Manufactured Home refers to a single dwelling unit of Manufactured Housing.

**Manufactured Home Loan**

Manufactured Home Loan refers to a Loan for the purchase or refinancing of a Manufactured Home and/or the lot on which to place such home. Unless otherwise indicated, the term includes Manufactured Home Purchase Loans, Manufactured Home Lot Loans, and combination loans.

**Manufactured Home Lot Loan**

Manufactured Home Lot Loan refers to a Loan for the purchase or refinancing of a portion of land acceptable to HUD as a manufactured home lot. A manufactured home lot may consist of platted or unplatted land, a lot in a recorded or unrecorded subdivision or in an improved area of such subdivision, or a lot in a Planned Unit Development (PUD). A manufactured home lot may also consist of an interest in a manufactured home condominium project (including any interest in the common areas) or a share in a cooperative association which owns and operates a manufactured home park.

**Manufactured Home Purchase Loan**

Manufactured Home Purchase Loan refers to a Loan for the purchase or refinancing of a manufactured home exclusive of any lot or site, and may also include a garage, patio, carport, or other comparable appurtenance.

**Manufactured Housing**

Manufactured Housing refers to Structures that are transportable in one or more sections. They are designed to be used as a dwelling when connected to the required utilities, which include the plumbing, heating, air-conditioning and electrical systems contained therein. Manufactured Housing is designed and constructed to the federal Manufactured Home Construction and Safety Standards (MHCSS) as evidenced by an affixed HUD Certification Label. Manufactured Housing may also be referred to as mobile housing, sectionals, multi-sectionals, double-wide, triple-wide or single-wide.

### **Market Condition Adjustments**

Market Condition Adjustments refer to adjustments made to reflect value changes in the market between the date of the contract for the comparable sale and the effective date of the appraisal.

### **Market Rate**

Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30 year fixed-rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent), as of the date a Trial Payment Plan (TPP) is offered to a Borrower.

### **Market Value**

Market Value refers to the most probable price which a Property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the Property sold unaffected by special or creative financing or Sales Concessions granted by anyone associated with the sale.

Adjustments to the comparables must be made for special or creative financing or Sales Concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the Property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

### **Material Finding**

In the context of Mortgage origination and underwriting, a Finding is Material if disclosure of the Finding would have altered the Mortgagee's decision to approve the Mortgage or to endorse or seek endorsement from FHA for insurance of the Mortgage. In the context of mortgage servicing, a Finding is Material if it has an adverse impact on the Property and/or FHA.

### **Maximum Property Preservation Allowance**

The Maximum Property Preservation Allowance is the maximum reimbursement for all property preservation expenses on an individual Property.

### **Military Income**

Military Income refers to income received by military personnel during their period of active, Reserve, or National Guard service, including:

- base pay

- Basic Allowance for Housing
- clothing allowances
- flight or hazard pay
- Basic Allowance for Subsistence
- proficiency pay

**Minimum Decision Credit Score (MDCS)**

Minimum Decision Credit Score (MDCS) refers to the credit score reported on the Borrower's credit report when all reported scores are the same. Where three differing scores are reported, the middle score is the MDCS. Where two differing scores are reported, the MDCS is the lowest score. Where only one score is reported, that score is the MDCS.

**Minimum Property Requirements**

Minimum Property Requirements (MPR) refer to general requirements that all homes insured by FHA be safe, sound, and secure.

**Minimum Property Standards**

Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness and security of New Construction.

**Minimum Required Investment (MRI)**

Minimum Required Investment (MRI) refers to the Borrower's contribution in cash or its equivalent required by Section 203(b)(9) of the National Housing Act (NHA), which represents at least 3.5 percent of the Adjusted Value of the Property.

**Mitigated Finding**

A Finding has been Mitigated if the Mortgagee has adequately addressed the deficiencies underlying the Finding, and such deficiencies have been remedied so that the Mortgagee's decision to approve the Mortgage or to endorse or seek endorsement from FHA for insurance of the Mortgage is acceptable to FHA.

**Mixed Use**

Mixed Use refers to a Property suitable for a combination of uses including any of the following: commercial, residential, retail, office or parking space.

**Modular Housing**

Modular Housing refers to Structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house.

**Mortgage**

Mortgage refers to any form of security instrument that is commonly used in a jurisdiction in connection with a loan secured by a one- to four-family residential Property, such as a deed of trust or security deed.



**Mortgage Charge**

Mortgage Charge refers to the interest rate, discount points, origination fee, and any other amount charged to the Borrower for an insured Mortgage.

**Mortgage Charge Rate**

Mortgage Charge Rate refers to the total amount of Mortgage Charges for a Mortgage expressed as a percentage of the initial principal of the Mortgage.

**Mortgage Insurance Premium Cancellation**

A Mortgage Insurance Premium (MIP) cancellation is the ending of MIP payments on an FHA-insured Mortgage closed on or after January 1, 2001, and assigned a case number before June 3, 2013.

**Mortgage on Indian Land**

A Section 248 Mortgage on Indian Land refers to a purchase or refinance Mortgage covering one- to four-family dwellings on Indian Lands.

**Mortgage Payment**

See **Housing Obligation**.

**Mortgage Payment Reserve**

Mortgage Payment Reserve refers to an amount set aside to make Mortgage Payments when the Property cannot be occupied during rehabilitation.

**Mortgagee**

See **Title I Mortgagee** or **Title II Mortgagee**.

**Mortgagee Neglect**

Mortgagee Neglect is the Mortgagee's failure to take action to preserve and protect the Property.

**Mortgages Delinquent within the First Two Years**

Mortgages Delinquent within the First Two Years are Mortgages that were reported to HUD as 90 days or more Delinquent in the 24-month period; this delinquent status includes Mortgages that went into Default but have subsequently cured.

**Name and Address Identification (NAID)**

A Name and Address Identification number is used by HUD to track the payee of HUD funds.

**Net Sale Proceeds**

Net Sale Proceeds are the proceeds of a PFS sale, calculated by subtracting reasonable and customary closing and settlement costs from the property sales price.

**Net Self-Sufficiency Rental Income**

Net Self-Sufficiency Rental Income refers to the Rental Income produced by the subject Property over and above the Principal, Interest, Taxes, and Insurance (PITI).

### **New Construction**

New Construction refers to Proposed Construction, Properties Under Construction, and Properties Existing Less than One Year as defined below:

- Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
- Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
- Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of issuance of the CO or equivalent. The Property must have never been occupied.

### **New Construction for Manufactured Housing**

New Construction for Manufactured Housing refers to a Manufactured Home that has been permanently erected on a site for less than one year prior to the case number assignment date.

### **Non-Borrowing Spouse Debt**

Non-Borrowing Spouse Debt refers to debts owed by a spouse that are not owed by, or in the name of the Borrower.

### **Non-Monetary Default**

Non-Monetary Default is a Default where the Borrower fails to perform obligations, other than making monthly payments, contained in the mortgage security instrument for a period of 30 Days.

### **Non-Occupant Borrower**

A Non-Occupant Borrower is a Borrower on a Mortgage securing a Property that is not occupied by any Borrower.

### **Non-Occupying Borrower Transaction**

Non-Occupying Borrower Transaction refers to a transaction involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the Property as their Principal Residence.

### **Nonprofit Instrumentality of Government**

A Nonprofit Instrumentality of Government (NPIOG) refers to a 501(c)(3) organization that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated as an instrumentality by law (statute or court opinion). FHA requires the unit of government that established the nonprofit to exercise organizational control, operational control or financial control of the nonprofit in its entirety or, at minimum, the specific homebuyer assistance program that is using FHA's credit enhancement.

**Organizational Control** refers to the majority of the governing board and/or principal officers that are named or approved by governmental body/officials.

**Operational Control** refers to the requirement that the government body approves all major decisions and/or expenditures.

**Financial Control** refers to the requirement that the government body provides funds through direct appropriations, grants, or loans, with related controls applicable to all activities of the Entity.

**Nonsupervised Mortgagee**

A Nonsupervised Mortgagee is a lending institution that has as its principal activity the lending or investing of funds in real estate Mortgages, consumer installment notes, or similar advances of credit, the purchase of consumer installment contracts, or from a directly related field. A directly related field is something directly related to the investing or lending of Mortgages, not simply actions relating to real estate in general.

**Non-Taxable Income**

Non-Taxable Income refers to types of income not subject to federal taxes, which includes, but is not limited to:

- some portion of Social Security income;
- some federal government employee Retirement Income;
- Railroad Retirement benefits;
- some state government Retirement Income;
- certain types of disability and Public Assistance payments;
- Child Support;
- military allowances; and
- other income that is documented as being exempt from federal income taxes.

**Non-Traditional Mortgage Credit Report (NTMCR)**

A type of credit report designed to access the credit history of a Borrower without the types of trade references normally appearing on a traditional credit report. It is used as a substitute for the traditional credit report.

**Note**

Note refers to any form of credit instrument commonly used in a jurisdiction to evidence a Mortgage.

**Notes Receivable Income**

Notes Receivable Income refers to income received by the Borrower as payee or holder in due course of a promissory Note or similar credit instrument.

**Notice of Deficiency**

A Notice of Deficiency (NOD) refers to a formal notification from FHA to an appraiser when a review identifies an error or lack of compliance. An NOD is not a sanction and is not considered severe enough to require remedial education or removal.

**Notice of Intent to Prepay**

Notice of Intent to Prepay refers to the advance notice that Borrowers on Mortgages insured before August 2, 1985 must provide in order to prepay their FHA-insured Mortgages in full without penalty.

**Obligor**

Obligor refers to a person or entity who is legally or contractually obliged to make all principal and interest payments on a debt.

**Occupancy Follow-Up**

An Occupancy Follow-Up is an attempt to communicate with the Borrower via letter, telephone, or other method of communication, other than on-site inspection, to determine occupancy when the Mortgage remains in Default after the initial inspection and the Mortgagee has not determined the Borrower's occupancy status.

**Occupancy Inspection**

An Occupancy Inspection is a visual inspection of a mortgaged Property by the Mortgagee to determine if the mortgaged Property has become vacant or abandoned and to confirm the identity of any occupants.

**Occupied Conveyance**

An Occupied Conveyance is the conveyance to HUD of a Property that is not vacant.

**Onset of an Economic Event**

Onset of an Economic Event refers to the month of loss of employment/income.

**Onsite Sewage Disposal System**

An Onsite Sewage Disposal System refers to wastewater systems designed to treat and dispose of effluent on the same Property that produces the wastewater.

**Overhead Electric Power Transmission Lines**

Overhead Electric Power Transmission Lines refer to electric lines that supply power from power generation stations to Local Distribution Lines.

**Overtime and Bonus Income**

Overtime and Bonus Income refers to income that the Borrower receives in addition to the Borrower's normal salary.

**Owner-Occupant Borrower**

An Owner-Occupant Borrower is a Borrower residing in the Property secured by the FHA-insured Mortgage as a Principal Residence.

**Partial Claim**

A Partial Claim is a FHA's reimbursement of a Mortgagee advancement of funds on behalf of the Borrower in an amount necessary to assist in reinstating the Delinquent Mortgage under the FHA-HAMP Option.

**Partial Payment**

A Partial Payment is a payment of any amount less than the full amount due under the Mortgage at the time the payment is tendered, including late charges and amounts advanced by the Mortgagee on behalf of the Borrower (such as for the payment of taxes).

**Partial Prepayment**

A Partial Prepayment is a payment of part of the principal amount before the date on which the principal is due.

**Partially Below-Grade Habitable Space**

Partially Below-Grade Habitable Space refers to living area constructed partially below grade, but has the full utility of GLA.

**Part-Time Employment**

Part-Time Employment refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week.

**Payoff**

See **Prepayment in Full**.

**Payoff Disclosure**

A Payoff Disclosure is a disclosure accompanying the payoff statement and, for Mortgages closed before January 21, 2015, describing the procedures for prepayment of a Mortgage.

**Pension**

Pension refers to income received from the Borrower's former employer(s).

**Personal Property**

Personal Property refers to tangible property, other than Real Property, such as cars, recreational vehicles, stamps, coins or other collectibles.

**Planned Unit Development (PUD)**

A Planned Unit Development (PUD) refers to a residential development that contains, within the overall boundary of the subdivision, common areas and facilities owned by a Homeowners' Association (HOA), to which all homeowners must belong and to which they must pay lien-supported assessments. A unit in a PUD consists of the fee title to the real estate represented by the land and the improvements thereon plus the benefits arising from ownership of an interest in the HOA.

**Pre-Conveyance Inspection**

A Pre-Conveyance Inspection is an inspection performed by HUD, at the Mortgagee's request, before conveyance to determine if a Property meets HUD's conveyance standards.

### **Pre-Foreclosure Sale**

Pre-Foreclosure Sales, also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the amount owed on the Property and the lien holders agree to release their liens and forgive the deficiency balance on the real estate.

### **Pre-Foreclosure Sale Approval to Participate**

A Pre-Foreclosure Sale (PFS) Approval to Participate is an agreement signed by the Borrower to confirm their willingness to comply with the PFS Program requirements.

### **Premium Pricing**

Premium Pricing refers to a credit from a Mortgagee/Lender for the interest rate chosen.

### **Prepayment in Full**

A Prepayment in Full or Payoff is the payment in whole of the principal amount of the Mortgage Note in advance of expiration of the term of the Mortgage Note.

### **Primary Obligor**

Primary Obligor refers to a person or entity who is legally or contractually obliged to make all principal and interest payments on a debt.

### **Principal Officer**

See **Corporate Officer**.

### **Principal Owner**

A Principal Owner is any individual or Entity meeting the following thresholds or roles for the applicable business form:

<b>Business Form</b>	<b>Principal Owners</b>
Publicly Traded Corporation	10% or more ownership
Private or Close Corporation	25% or more ownership
Limited Liability Company	All Members
Partnerships	All Partners

### **Principal Residence**

A Principal Residence refers to a dwelling where the Borrower maintains or will maintain their permanent place of abode, and which the Borrower typically occupies or will occupy for the majority of the calendar year. A person may have only one Principal Residence at any one time.

### **Private Savings Club**

A Private Savings Club refers to a non-traditional method of saving by making deposits into a member-managed resource pool.

### **Property**

Property refers to the real estate entity that will serve as adequate security for a specific FHA-insured Mortgage.

**Property Flipping**

Property Flipping refers to the purchase and subsequent resale of a Property in a short period of time.

**Property Preservation and Protection**

Property Preservation and Protection (P&P) actions are those maintenance, security, and repair actions required by HUD in order to ensure that the Property meets HUD's conveyance condition standards.

**Property Value**

Property Value refers to the value as determined by the FHA Roster Appraiser.

**Proposed Construction**

Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.

**Public Assistance**

Public Assistance refers to income received from government assistance programs.

**Purchasing Mortgagee**

The Purchasing Mortgagee is the Mortgagee that purchases the Mortgage and thereby succeeds to all rights and obligations of the Selling Mortgagee under the contract for mortgage insurance.

**Quality Control (QC) Plan**

A Quality Control (QC) Plan is a written plan that sets forth a Mortgagee's procedures for ensuring quality control. A QC Plan is the written element of a Mortgagee's QC Program.

**Quality Control (QC) Plan (applicable to nonprofits)**

A Quality Control (QC) Plan outlines the processes and procedures used by the nonprofit to monitor its compliance with FHA nonprofit program guidelines.

**Quality Control (QC) Program**

A Quality Control (QC) Program is the process and written procedures through which the Mortgagee seeks to ensure that FHA operations and loan quality are in compliance with all applicable requirements.

**Rate and Term**

Rate and Term refers to a no cash-out refinance of any Mortgage in which all proceeds are used to pay existing mortgage liens on the subject Property and costs associated with the transaction.

**Real Estate Commission from Sale of Subject Property**

Real Estate Commission from Sale of Subject Property refers to the Borrower's (i.e., buyer's) portion of a real estate commission earned from the sale of the Property being purchased.

**Real Property**

Real Property refers to the interests, benefits, and rights inherent in the ownership of physical real estate.

**Reasonable Diligence Timeframe**

The Reasonable Diligence Timeframe is the period of time beginning with the first legal action required by the jurisdiction to commence foreclosure, and ending with the later date of acquiring good marketable title to and possession of the Property.

**Reconveyance**

A Reconveyance is a conveyance of a Property from HUD back to the Mortgagee due to the Mortgagee's failure to comply with HUD's conveyance requirements.

**Recovery from an Economic Event**

Recovery from an Economic Event refers to the re-establishment of Satisfactory Credit.

**Re-Default**

A Re-Default is a mortgage Default occurring within six months after reinstatement or the successful use of a permanent Home Retention Option.

**Rental Income**

Rental Income refers to income received or to be received from the subject Property or other real estate holdings.

**Reserves**

Reserves refer to the sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is required to pay at closing.

**Residential Mortgage Credit Report (RMCR)**

RMCR refers to a credit report that provides details on items that have been flagged in a merged report as a result of combining reports from the three credit repositories (Equifax, Trans Union, and Experian).

**Residential Real Estate-Related Transactions**

Residential Real Estate-Related Transactions are transactions related to the making or purchasing of Mortgages or providing other financial assistance to a Borrower for purchasing, constructing, improving, repairing, or maintaining a dwelling or securing residential real estate, and similar transactions.

**Retirement Income**

Retirement Income refers to income received from Pensions, 401(k) distributions, and Social Security.

**Revolving Charge Accounts**

A Revolving Charge Account refers to a credit arrangement that requires the Borrower to make periodic payments but does not require full repayment by a specified point of time.



**Running Gear**

Running Gear refers to a mechanical system designed to allow the Manufactured Housing unit to be towed over public roads.

**Sale of Real Property**

The Sale of Real Property refers to the sale of Property currently owned by the Borrower.

**Sales Concessions**

Sales Concessions refer to non-realty items, upgraded features in newly constructed houses, and special financing incentives.

**Sales Contract Date**

Sales Contract Date refers to the date the sales contract is executed by all parties.

**Seasonal Employment**

Seasonal Employment refers to employment that is not year round, regardless of the number of hours per week the Borrower works on the job.

**Secondary Residence**

Secondary Residence refers to a Structure that a Borrower occupies in addition to their Principal Residence, but less than a majority of the calendar year. A Secondary Residence does not include a Vacation Home.

**Self-Employment Income**

Self-Employment Income refers to income generated by a business in which the Borrower has a 25 percent or greater ownership interest.

There are four basic types of business structures. They include:

- sole proprietorships
- corporations
- limited liability or “S” corporations
- partnerships

**Selling Mortgagee**

The Selling Mortgagee is the Mortgagee that sells the Mortgage and thereby relinquishes all rights and obligations under the contract for mortgage insurance.

**Servicer**

A Servicer is an FHA-approved Mortgagee performing servicing actions on FHA-insured Mortgages on its behalf or on behalf of or at the direction of another FHA-approved Mortgagee.

**Settlement Statement**

Settlement Statement refers to the closing disclosure required under Section 4 of the Real Estate Settlement Procedures Act.

**Shared Well**

A Shared Well refers to a well that services two to four homes where there is a binding Shared Well Agreement between the property owners that meets FHA requirements.

**Short Sales**

See **Pre-Foreclosure Sales**.

**Simple Refinance**

Simple Refinance refers to a no cash-out refinance of an existing FHA-insured Mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject Property and costs associated with the transaction.

**Single Family**

Single Family refers to one- to four-unit dwellings.

**Site Condominium**

A Site Condominium refers to a project of Single Family, totally detached dwellings encumbered by a declaration of condominium covenants or a condominium form of ownership. They have no shared garages or any other attached buildings. Project approval is required for Site Condominiums that do not meet this definition.

**Slush Pit**

A Slush Pit refers to a basin in which drilling “mud” is mixed and circulated during drilling to lubricate and cool the drill bit and to flush away rock cuttings.

**Small Supervised Mortgagee**

A Small Supervised Mortgagee is a Supervised Mortgagee that has consolidated assets below the threshold for audited financial reporting established by the Federal Banking Agency with oversight of the Mortgagee. Thresholds are codified at [12 CFR §§ 363.1\(a\), 562.4\(b\)\(2\), and 715.4\(c\)](#) and are subject to change.

**Social Security Income**

Social Security Income or Supplemental Security Income (SSI) refers to income received from the SSA other than disability income.

**Soil Contamination**

Soil Contamination refers to the presence of manmade chemicals or other alterations to the natural soil environment.

**Special Energy System**

A Special Energy System refers to any addition, alteration, or improvement to an existing or new Structure that is designed to utilize wind, geothermal or solar energy to produce energy to support the habitability of the Structure.

### **Special Forbearance - Unemployment**

The Special Forbearance – Unemployment Option is a Home Retention Option available when one or more of the Borrowers has become unemployed and this loss of employment has negatively affected the Borrower’s ability to continue to make their monthly Mortgage Payment.

### **Special Forbearance – Unemployment Agreement**

The SFB-Unemployment Agreement is a written agreement between a Mortgagee and the Borrowers, one or more of whom has become unemployed, allowing for reduced and/or suspended Mortgage Payments.

### **Standard DIL**

A Standard Deed-in-Lieu (DIL) is a DIL available for Owner-Occupant Borrowers who experienced a verifiable hardship that has affected their ability to sustain their Mortgage but who do not meet the requirements of a Streamlined DIL Option.

### **Standard PFS**

A Standard Pre-Foreclosure Sale (PFS) Option is a PFS Option available for Owner-Occupant Borrowers who are experiencing a hardship affecting their ability to sustain their Mortgage, as determined by the Deficit Income Test (DIT) and:

- are in Default; or
- are current or less than 30 Days past due but facing Imminent Default due to a hardship as described in the [Eligible Borrowers](#) section.

### **Streamline Refinance**

Streamline Refinance refers to the refinance of an existing FHA-insured Mortgage requiring limited Borrower credit documentation and underwriting.

### **Streamlined DIL**

A Streamlined Deed-in-Lieu (DIL) is a DIL transaction for Owner-Occupant Borrowers and Non-Occupant Borrowers and does not require verification of hardship.

### **Streamlined DIL for Servicemembers with PCS Orders**

A Streamlined Deed-in-Lieu (DIL) for Servicemembers with Permanent Change of Station (PCS) Orders Option is a Streamlined DIL that may be offered to servicemembers who must relocate to a new duty station at least 50 miles away from their existing residence, without the Mortgagee verifying hardship.

### **Streamlined PFS**

A Streamlined Pre-Foreclosure Sale (PFS) is a PFS Option available for Owner-Occupant and Non-Occupant Borrowers and does not require verification of hardship.

### **Streamlined PFS for Servicemembers with PCS Orders**

A Streamlined Pre-Foreclosure Sale (PFS) for Servicemembers with Permanent Change of Station (PCS) Orders is a Streamlined PFS that may be offered to servicemembers who must relocate to a new duty station at least 50 miles away from their existing residence, without the Mortgagee verifying hardship.

**Structure**

Structure refers to a building that has a roof and walls, stands permanently in one place, and contains single or multiple housing units that are used for human habitation.

**Substantially Damaged**

A building is considered to be “Substantially Damaged,” as defined in the National Flood Insurance Program (NFIP) regulations, when “damage of any origin is sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.”

**Supervised Mortgagee**

A Supervised Mortgagee is a financial institution that is a member of the Federal Reserve System (FRS) or whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) (collectively, “Federal Banking Agencies”).

**Surchargeable Damage**

Surchargeable Damage is damage to a Property caused by fire, flood, earthquake, tornado, boiler explosion (for condominiums only) or Mortgagee Neglect.

**Surplus Income Percentage**

Surplus Income Percentage is a percentage calculated in the Mortgagee’s financial analysis to determine which Loss Mitigation Options are appropriate based on the Borrower’s income.

**Surplus Land**

Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off. Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels.

**Sweat Equity**

Sweat Equity refers to labor performed, or materials furnished, by or on behalf of the Borrower before closing on the Property being purchased.

**Test Case**

Test Case refers to a Mortgage loan used by a Mortgagee when requesting an Unconditional Direct Endorsement (DE) approval. These loans must be processed per the Direct Endorsement eligibility requirements and approved by HUD for endorsement.

**Third Party Documents**

Third Party Documents refer to those documents that are originated and signed outside of the control of the Mortgagee, such as the sales contract.

### **Third-Party Originator (TPO)**

A Third-Party Originator (TPO) is an entity that originates FHA Mortgages for an FHA-approved Mortgagee acting as its sponsor. A TPO may be an FHA-approved Mortgagee or a non-FHA-approved entity.

### **Tier Ranking System**

The Tier Ranking System (TRS) II is a methodology for measuring a Mortgagee's performance in complying with HUD's Loss Mitigation Program.

### **Tiered Pricing**

Tiered Pricing refers to any variance in Mortgage Charge Rates of more than two percentage points from the Mortgagee's reasonable and customary rate for insured Mortgages for dwellings located within the area.

### **Title I Lender**

A Title I Lender is a Mortgagee that (a) holds a valid Title I contract of insurance and is approved by FHA or (b) held a Title I contract that has been terminated or suspended but remains responsible for servicing or selling the Title I Loan that it holds and is authorized to file insurance claims on these Loans.

### **Title II Mortgagee**

A Title II Mortgagee is a Mortgagee that has been approved to participate in Title II and/or Title XI programs under the National Housing Act (12 U.S.C. § 1707 et seq. and 12 U.S.C. § 1749aaa et seq.).

### **TOTAL**

TOTAL refers to "Technology Open To Approved Lenders." FHA's TOTAL Mortgage Scorecard evaluates the overall creditworthiness of the borrower, based on a number of credit variables and, when combined with the functionalities of the Automated Underwriting System (AUS), indicates a recommended level of underwriting and documentation to determine a loan's eligibility for insurance by the FHA.

### **Total Loan Amount**

Total Loan Amount of the FHA Mortgage is the mortgage amount including the amount of any financed UFMIP. The insured mortgage amount is the Total Loan Amount.

### **Total Required Investment**

Total Required Investment refers to the amount the Borrower must contribute to the transaction including the Borrower's downpayment and the Borrower-paid transaction costs. The Total Required Investment includes the MRI.

### **Trade Equity**

Trade Equity refers to when a Borrower trades their Real Property to the seller as part of the cash investment.

### **Trade-In of Manufactured Housing**

Trade-In of Manufactured Housing refers to the Borrower's sale or trade-in of another Manufactured House that is not considered real estate to a Manufactured Housing dealer or an independent third party.

### **Transfer Date**

The Transfer Date is the date on which the Borrower's Mortgage Payment is first due to the Transferee Servicing Mortgagee.

### **Transferee Servicing Mortgagee**

The Transferee Servicing Mortgagee is the Mortgagee to which the servicing responsibilities have been transferred.

### **Transferor Servicing Mortgagee**

The Transferor Servicing Mortgagee is the Mortgagee that transfers servicing responsibilities.

### **Trial Payment Plan**

A Trial Payment Plan (TPP) is a payment plan for a minimum period of three months, during which the Borrower must make the agreed-upon consecutive monthly payments prior to final execution of the Loan Modification or FHA-HAMP.

### **Tri-Merged Credit Report (TRMCR)**

A Tri-Merged Credit Report is also referred to as a Three Repository Merged Credit Report (TRMCR). The TRMCR refers to a credit report that contains the data from all three credit repositories into one report.

### **Trust Income**

Trust Income refers to income that is regularly distributed to a Borrower from a trust.

### **Unaudited Regulatory Report**

An Unaudited Regulatory Report refers to a report of condition and income, also known as the "call report," which is submitted on the Federal Financial Institutions Examination Council forms 031 and 041, or a consolidated or fourth quarter NCUA call report, submitted on NCUA Form 5300 or 5310.

### **Under Construction**

Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.

### **Underserved Census Tracts**

Underserved Census Tracts are those areas identified by HUD as meeting the definition found at 24 CFR § 81.2. Underserved Census Tract areas are: 1) tracts in metropolitan areas a) having a median income of no more than 90 percent of the area as a whole, or b) having a median income of no more than 120 percent and minorities comprise at least 30 percent of the tract's population; 2) all tracts in any nonmetropolitan area which a) have a median income of no more than 95 percent of the nonmetropolitan part of the state or nation, whichever is greater, or b) have a

median income of no more than 120 percent and minorities comprise at least 30 percent of the area's population.

**Uniform Residential Appraisal Report (URAR)**

The *URAR* is the standard appraisal reporting form available through all lenders. Fannie Mae and Freddie Mac *URAR* forms are acceptable.

**Unimproved Property Appraisal**

Unimproved Property Appraisal refers to the valuation of an interest in land without human made Structures.

**Unresolved Finding**

An Unresolved Finding is a material, adverse written Finding, to include fair lending violations of the Fair Housing Act or Equal Credit Opportunity Act, contained in a lawsuit or report produced in connection with an investigation, audit, or review conducted by HUD, another federal, state, or local governmental agency, or by any other regulatory or oversight Entity with jurisdiction over the Mortgagee or its officers, partners, directors, principals, managers, supervisors, loan processors, loan underwriters, or loan originators, that has not yet been resolved through final agency or judicial action.

**Vacant Property Inspection**

A Vacant Property Inspection is an inspection by the Mortgagee of a Property that is not occupied.

**Vacation Home**

Vacation Home refers to a dwelling used primarily for recreational purposes and enjoyment and that is not a Principal or Secondary Residence.

**Viable Repair Plan**

A Viable Repair Plan is a plan for repairs of a mortgaged Property within the amounts available through insurance proceeds and borrower funds.

**Work Item**

Work Item refers to a specific repair or improvement that will be performed.

**Work Write-Up**

The Work Write-Up refers to the report prepared by a 203(k) Consultant that identifies each Work Item to be performed and the specifications for completion of the repair.

## FHA Single Family Housing Policy Handbook

### ACRONYMS

#### A

**AAFB** - Area Approved for Business  
**ACA** - Asset Control Area  
**ACD** - Accelerated Claims Disposition  
**ADP Codes** - Automated Data Processing Codes  
**ADU** - Accessory Dwelling Unit  
**AHP** - Affordable Housing Program  
**AHPP** - Affordable Housing Program Plan  
**AM** - Asset Management or Asset Manager  
**AMC** - Appraisal Management Company  
**APZ** - Accident Potential Zone  
**AQB** - Appraiser Qualifications Board  
**ARM** - Adjustable Rate Mortgage  
**ASC** - Appraisal Subcommittee  
**AUS** - Automated Underwriting System  
**AVM** - Automated Valuation Model  
**AWEA** - American Wind Energy Association

#### B

**B2G** - Business to Government  
**BIA** - Bureau of Indian Affairs  
**BPO** - Broker's Price Opinion  
**BPS** - Basis Points

#### C

**CAFMV** - Commissioner's Adjusted Fair Market Value  
**CAIVRS** - [Credit Alert Verification Reporting System](#)  
**CBRS** - Coastal Barrier Resources System  
**CDBG** - Community Development Block Grant  
**CEO** - Chief Executive Officer  
**CFO** - Chief Financial Officer  
**CFPB** - [Consumer Financial Protection Bureau](#)  
**CFR** - Code of Federal Regulations  
**CHUMS** - Computerized Homes Underwriting Management System  
**CLTV** - Combined Loan-to-Value  
**CMT** - Constant Maturity Treasury  
**CO** - Certificate of Occupancy  
**COO** - Chief Operating Officer  
**CPA** - Certified Public Accountant  
**CPL** - Closing Protection Letter  
**CVS** - Certificate of Veteran Status  
**CWCOT** - Claims Without Conveyance of Title



**D**

**DAS** - Deputy Assistant Secretary  
**DASP** - Distressed Asset Stabilization Program  
**DBA** - Doing Business As  
**DDR** - Delinquency/Default Reason  
**DDS** - Delinquency/Default Status  
**DE** - Direct Endorsement  
**DEC** - Departmental Enforcement Center  
**DHHL** - Department of Hawaiian Home Lands  
**DIL** - Deed-in-Lieu  
**DIT** - Deficit Income Test  
**DoD** - Department of Defense  
**DOM** - Days on Market  
**DTI** - Debt-to-Income

**E**

**EAD** - Electronic Appraisal Delivery  
**ECOA** - Equal Credit Opportunity Act  
**eCB** - Electronic Case Binder  
**EDI** - Electronic Data Interchange  
**EEH** - Energy Efficient Homes  
**EEM** - Energy Efficient Mortgage  
**EESA** - Emergency Economic Stabilization Act  
**EFT** - Electronic Funds Transfer  
**EHLP** - Emergency Homeowners' Loan Program  
**EIN** - Employer Identification Number  
**EMT** - Emergency Medical Technician  
**EPA** - U.S. Environmental Protection Agency  
**EPD** - Early Payment Default  
**EPM** - Exit Premium Mortgage  
**E-Sign Act** - Electronic Signatures in Global and National Commerce Act  
**EVARS** - Extensions and Variances Automated Requests System

**F**

**FAIR** - Fair Access to Insurance Requirements  
**FAQ** - Frequently Asked Questions  
**FCRA** - Fair Credit Reporting Act  
**FDIC** - Federal Deposit Insurance Corporation  
**FEMA** - Federal Emergency Management Agency  
**FHA** - Federal Housing Administration  
**FHA-HAMP** - FHA Home Affordable Modification Program  
**FHAC** - [Federal Housing Administration Connection](#)  
**FHAC-B2G** - FHA Connection - Business to Government  
**FHA Lender ID** - FHA Lender Identification Number  
**FHEO** - Office of Fair Housing and Equal Opportunity

**FHLB** - Federal Home Loan Bank  
**FHLMC** - Federal Home Loan Mortgage Corporation (also known as Freddie Mac)  
**FICA** - Federal Insurance Contributions Act  
**FIRM** - Flood Insurance Rate Map  
**FMV** - Fair Market Value  
**FNMA** - Federal National Mortgage Association (also known as Fannie Mae)  
**FOC** - Financial Operations Center  
**FRS** - Federal Reserve System  
**FSM** - Field Service Manager

## **G**

**GAAP** - Generally Accepted Accounting Principles  
**GAAS** - Generally Accepted Auditing Standards  
**GAGAS** - Generally Accepted Government Auditing Standards  
**GBA** - Gross Building Area  
**GEM** - Growing Equity Mortgages  
**GFE** - Good Faith Estimate  
**GLA** - Gross Living Area  
**GNND** - Good Neighbor Next Door  
**GNMA** - Government National Mortgage Association (also known as Ginnie Mae)  
**GPM** - Graduated Payment Mortgages  
**GRM** - Gross Rent Multiplier  
**GSA** - General Services Administration  
**GSE** - Government-Sponsored Enterprise  
**GTR** - Government Technical Representative

## **H**

**H4H** - HOPE for Homeowners  
**HAMP** - Home Affordable Modification Program  
**HECM** - Home Equity Conversion Mortgage  
**HERMIT** - Home Equity Reverse Mortgage Information Technology  
**HERR** - Home Energy Rating Report  
**HERS** - Home Energy Rating System  
**HFA** - Housing Finance Agency  
**HHF** - Hardest Hit Fund  
**HIP** - Housing Initiative Partnership  
**HOA** - Homeowners' Association  
**HOC** - Homeownership Center  
**HOPE** - Homeownership and Opportunity for People Everywhere  
**HUD** - U.S. Department of Housing and Urban Development  
**HUDCLIPS** - HUD's Client Information and Policy System

## **I**

**IBTS** - Institute for Building Technology and Safety (IBTS)  
**ID** - Identification  
**IEC** - International Electrotechnical Commission

- 1 **IECC** - International Energy Conservation Code  
2 **IHA** - Indian Housing Authority  
3 **IPA** - Independent Public Accountant  
4 **IRA** - Individual Retirement Account  
5 **IRC** - Internal Revenue Code  
6 **IRS** - Internal Revenue Service  
7  
8 **L**  
9 **LDP** - Limited Denial of Participation  
10 **LE** - Life Expectancy  
11 **LEAP** - [Lender Electronic Assessment Portal](#)  
12 **LES** - Leave and Earnings Statement  
13 **LI** - Lender Insurance  
14 **LIP** - Loan Insurance Premium  
15 **LIBOR** - London Interbank Offered Rate  
16 **LLC** - Limited Liability Company  
17 **LOMA** - Letter of Map Amendment  
18 **LOMR** - Letter of Map Revision  
19 **LTV** - Loan-to-Value  
20  
21 **M**  
22 **M&M** - Management and Marketing  
23 **MAP** - Multifamily Accelerated Processing  
24 **MCM** - Mortgagee Compliance Manager  
25 **MDCS** - Minimum Decision Credit Score  
26 **MERS** - Mortgage Electronic Registration System  
27 **MHCSS** - Manufactured Home Construction and Safety Standards  
28 **MHV** - Manufactured Housing Valuation  
29 **MIC** - Mortgage Insurance Certificate  
30 **MIP** - Mortgage Insurance Premium  
31 **MISMO** - Mortgage Industry Standards Maintenance Organization  
32 **ML** - Mortgagee Letter  
33 **MLS** - Multiple Listing Service  
34 **MMI** - Mutual Mortgage Insurance  
35 **MMIF** - Mutual Mortgage Insurance Fund  
36 **MPR** - Minimum Property Requirements  
37 **MPS** - Minimum Property Standards  
38 **MRB** - Mortgagee Review Board  
39 **MRI** - Minimum Required Investment  
40  
41 **N**  
42 **NADA** - National Automobile Dealers Association  
43 **NAID** - Name and Address Identification Number  
44 **NAR** - National Association of Realtors  
45 **NCUA** - National Credit Union Administration  
46 **NDC** - Net Development Cost

- 1 **NFIP** - National Flood Insurance Program  
2 **NHOP** - Nehemiah Housing Opportunity Grants Program  
3 **NMLS** - Nationwide Mortgage Licensing System and Registry  
4 **NOD** - Notice of Deficiency  
5 **NOPA** - Notice to Occupant of Pending Acquisition  
6 **NOR** - Notice of Return  
7 **NOV** - Notice of Violation  
8 **NPDMS** - Nonprofit Data Management System  
9 **NPIOG** - Nonprofit Instrumentality of Government  
10 **NPMA** - National Pest Management Association  
11 **NRTL** - Nationally Recognized Testing Laboratory  
12 **NSC** - National Servicing Center  
13 **NSP** - Neighborhood Stabilization Program  
14 **NTMCR** - Non-Traditional Mortgage Credit Report  
15  
16 **O**  
17 **OGC** - Office of General Counsel  
18 **OIG** - Office of Inspector General  
19 **OLG** - Office of Loan Guarantee  
20 **ONAP** - Office of Native American Program  
21 **OSFAM** - Office of Single Family Asset Management  
22 **OUI** - Oldest Unpaid Installment  
23  
24 **P**  
25 **P&I** - Principal and Interest  
26 **P&L** - Profit and Loss  
27 **P&P** - Preservation and Protection  
28 **PCR** - Property Condition Report  
29 **PCS** - Permanent Change of Station  
30 **PDF** - Portable Document Format  
31 **PDMDA** - Presidentially-Declared Major Disaster Area  
32 **PFGMH** - Permanent Foundations Guide for Manufactured Housing  
33 **PFS** - Pre-Foreclosure Sale  
34 **PHA** - Public Housing Agency  
35 **PIN** - Personal Identification Number  
36 **PITI** - Principal, Interest, Taxes, and Insurance  
37 **PMMS** - Primary Mortgage Market Survey  
38 **POA** - Power of Attorney  
39 **POC** - Paid Outside Closing  
40 **PPA** - Power Purchase Agreement  
41 **PSA** - Participating Servicer Agreement  
42 **PTI** - Total Mortgage Payment to Effective Income Ratio  
43 **PUD** - Planned Unit Development  
44  
45 **Q**  
46 **QC** - Quality Control

**QM** - Qualified Mortgage

**QR** - Quick Response

**R**

**REO** - Real Estate Owned

**RESPA** - Real Estate Settlement Procedures Act

**RMCR** - Residential Mortgage Credit Report

**RPZ** - Reduced Pressure Zone

**S**

**SAFE Act** - Secure and Fair Enforcement for Mortgage Licensing Act of 2008

**SAM** - [System for Award Management](#)

**SBA** - Small Business Administration

**SCRA** - Servicemembers Civil Relief Act

**SF** - Single Family

**SFB** - Special Forbearance

**SFDMS** - Single Family Default Monitoring System

**SFHA** - Special Flood Hazard Area

**SFIS** - Single Family Insurance System

**SFLS** - Single Family Loan Sale

**SPPA** - Solar Power Purchase Agreement

**SSA** - Social Security Administration

**SSI** - Supplemental Security Income

**SSN** - Social Security Number

**SWCC** - Small Wind Certification Council

**T**

**TDD** - Telecommunication Device for the Deaf

**TDHE** - Tribally Designated Housing Entities

**TILA** - Truth in Lending Act

**TIN** - Tax Identification Number

**TOTAL** - Technology Open To Approved Lenders

**TPO** - Third-Party Originator

**TPP** - Trial Payment Plan

**TRMCR** Three Repository Merged Credit Report, also known as Tri-Merged Credit Report

**TRS** - Tier Ranking System

**TS** - Transaction Set

**TTY** - Text Telephone

**U**

**UAD** - Uniform Appraisal Dataset

**UETA** - Uniform Electronic Transactions Act

**UFMIP** - Upfront Mortgage Insurance Premium

**URL** - Uniform Resource Locator

**URLA** - Uniform Residential Loan Application

**URAR** - Uniform Residential Appraisal Report

- 1 **U.S.C.** - United States Code
- 2 **USCIS** - U.S. Citizenship and Immigration Services
- 3 **USDA** - United States Department of Agriculture
- 4 **USGS** - U.S. Geological Survey
- 5 **USPAP** - [Uniform Standards of Professional Appraisal Practice](#)
- 6 **UST** - Underground Storage Tanks
- 7
- 8 **V**
- 9 **VA** - Department of Veterans Affairs
- 10 **VOD** - Verification of Deposit
- 11 **VOE** - Verification of Employment
- 12
- 13 **X**
- 14 **XML** - Extensible Markup Language
- 15